

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Tecumseh	County Lenawee
Fiscal Year End June 30, 2007	Opinion Date October 4, 2007	Date Audit Report Submitted to State October 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

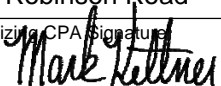
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

City of

# TECUMSEH

MICHIGAN



## Comprehensive Annual Financial Report

**Year End June 30, 2007**

**CITY OF TECUMSEH, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Fiscal Year Ended**  
**June 30, 2007**

**Prepared by:**  
Treasurer's Department

**CITY OF TECUMSEH, MICHIGAN**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2007**

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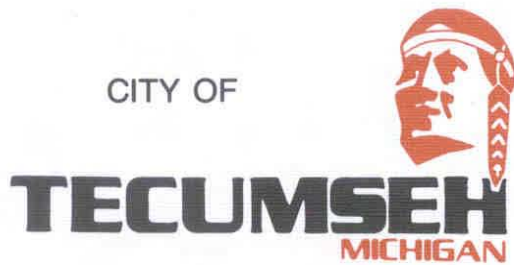
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**CITY OF TECUMSEH, MICHIGAN**  
**Comprehensive Annual Financial Report**  
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# INTRODUCTORY SECTION



October 4, 2007

**To the Honorable Mayor, Members of the City Council  
and Citizens of the City of Tecumseh:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2007.

Management assumes full responsibility for the completeness and reliability of all of the information contained in this report, based on a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

Rehmann Robson, a firm of licensed certified public accountants, has issued an unqualified opinion on the City of Tecumseh's financial statements for the year ended June 30, 2007. The independent auditor's report is presented at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

**Profile of the Government**

The City of Tecumseh, founded in 1824 and incorporated as a city in 1954, is located in southeast Michigan. The City currently has a land area of approximately 5.4 square miles and a population of 8,574 based on the 2000 census. The government is empowered to levy a property tax on both real and personal property located within its boundaries. The government also has the power by state statute to extend its corporate limits by annexation, which is done periodically, when deemed appropriate by the City Council.

The City has operated under the council-manager form of government since 1954. Policymaking and legislative authorities are vested in the governing council, a seven-member council including the mayor. The governing council is responsible, among other things, for passing ordinances and resolutions; making public policy decisions; confirming the appointments of department heads; adopting annual budgets; appointing boards, commissions, and committees; approving contracts; authorizing real estate transactions; approving payments; awarding bids; selling personal property; and hiring the government's manager and attorney. The government's manager is responsible for carrying out the policies and ordinances of the governing council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments. The council is elected on a non-partisan basis. Council members are elected to two-year staggered terms with three council members elected each year. The mayor is elected to two-year terms. The mayor and council members are elected at-large.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events. The City is also financially accountable for certain legally separate entities, which are reported separately within the City's financial statements. Additional information on each of these legally separate entities can be found in the notes to the basic financial statements.

The City Council is required to adopt a final budget prior to the start of the fiscal year to which it pertains. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, require approval of the governing council.

### **Factors Affecting Economic Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates as described below:

***Local economy.*** The City currently sees a challenging economic environment and local indicators point to continued challenges, despite the current national unemployment rate of 4.5% Lenawee County is experiencing over 2% over the national rate. The region does have a varied manufacturing and industrial base that contributes to the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include a refrigeration manufacturer, electrical controls and automobile component manufacturers, and several financial institutions.

The government's central business district grew slightly to its current 96.4 percent occupancy rate with a variety of stores, specialty shops, and commercial businesses. Meanwhile, the residential growth has continued to slow.



Some of the industrial business base within the City continue to see market forces negatively impact them, both from a business statement and an employment standpoint. The City continues to work with these businesses to offer any type of assistance it can.

***Long-term financial planning.*** Continued economic development looks challenging, but favorable for the future. The Economic Development Department is promoting additional commercial development projects and implementing an economic enhancement strategy, which primarily targets the downtown and west end commercial districts. The West Chicago Boulevard area continues to experience increased commercial and residential development in the near future.

These trends are also impacted, in large measure, however, by other factors. The increase in the assessed value of taxable property in the City continues to be constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend toward ever-tightening budgets under which the City must operate.

Finally, an increasing financial challenge for the City is the cost of employee benefits, especially for medical insurance and from limited investment income in the employees retirement system. Together, these two issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances. Greater revenue growth or cost containment measures may be necessary to mitigate future stress on City finances.

***Relevant financial policies.*** The City has recently reviewed some of its financial policies and procedures and made changes to ensure that adequate controls are in place. While the City's auditor has indicated that there needs to be more separation of duties established in the Treasurer's Department, this would be difficult to accomplish without hiring additional staff. Additionally, the City has implemented numerous controls to compensate for the limits on separate controls, which include:

1. Department heads approving and signing all invoices before being processed.
2. The City Manager approving all invoices and the check register.
3. City Council and the City Manager approving a numerical check register that is continuous from the previous meeting.
4. Purchase requests are required and signed by the City Manager for purchases of \$1,000 or more.
5. An employee, other than the preparer, reviews and verifies all journal entries, bank reconciliations, transfers, cash disbursements, cash sheets and deposits by signing and dating.
6. All electronic transfers are approved by the City Manager, who has access to the City's bank accounts online to review at any time.
7. All cash is locked in a safe in the vault with only the Treasurer's Department and Clerk's employees having the combination.
8. All cash is transported from outside departments to City Hall in sealed tamper proof deposit bags and to the bank by the police department in a locked bank bag.
9. All refunds and credits are approved by the Department head or City Manager.

With these controls in place, we believe the risk associated with the lack of separation of duties is lower than the cost associated with having additional staff. When the auditor has suggested a way to reduce risk of fraud, the City has implemented whenever possible. However, we will continue to identify controls and consider future separation of duties.

The city has set a goal of maintaining at least a 15% fund balance in the general fund.

**Major initiatives.** The City purchased 160 acres of land in 2004 intended for industrial usage. The park, called the Tecumseh Business and Technology Park is the last contiguous parcel of land that could be used to attract additional non-residential tax base.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tecumseh for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the tenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

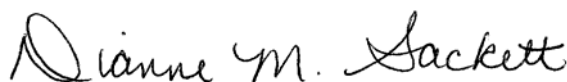
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Tecumseh's finances.

Respectfully submitted,



Kevin M. Welch  
City Manager



Dianne M. Sackett  
Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tecumseh  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

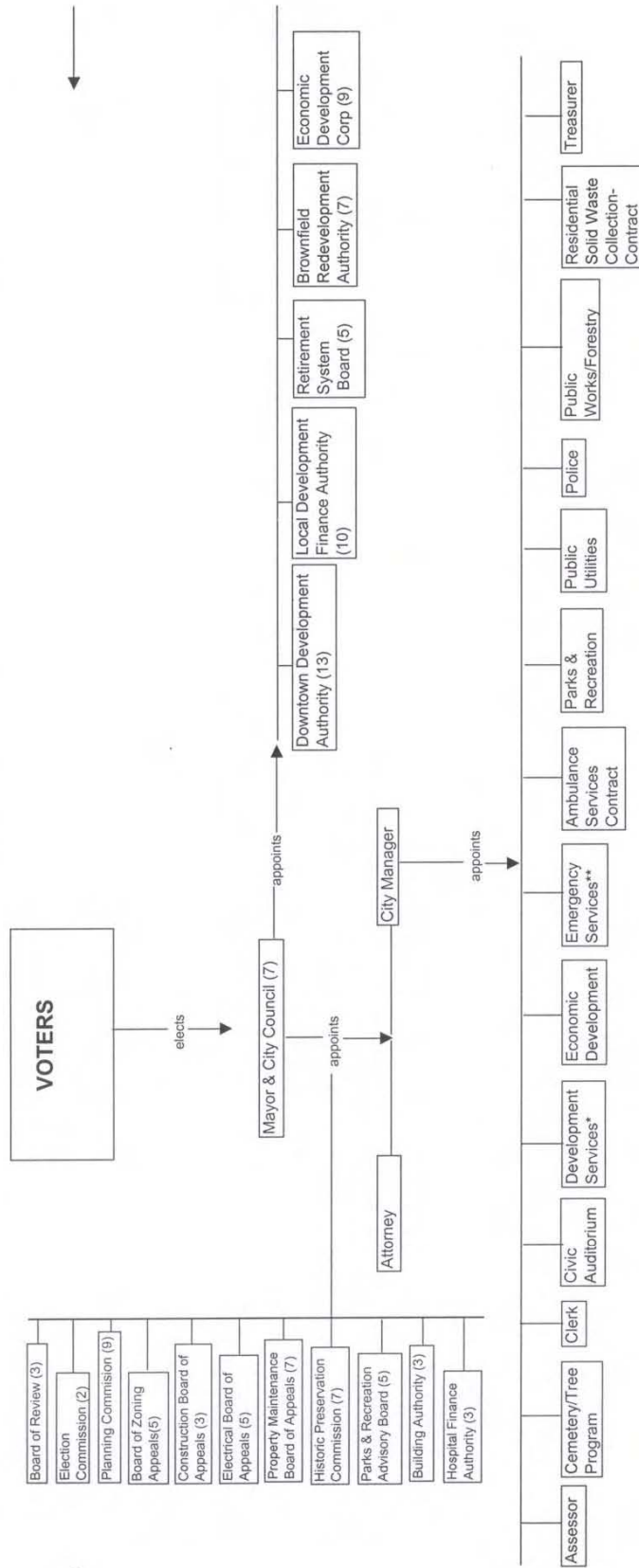
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

# **CITY OF TECUMSEH ORGANIZATION** Citizens/Taxpayers/Residents



\*Building, Electrical, and Mechanical Permits, Zoning Administration, Code Enforcement & Soil Erosion  
 \*\*Fire, Rescue & Hazardous Materials

**Cultural, Traditional, Economics, Financial, Legal, Political, & Social Parameters and Values**

**CITY OF TECUMSEH, MICHIGAN**  
**List of Elected and Appointed Officials**  
**For the Fiscal Year Ended June 30, 2007**

**Elected Officials**

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
Council Member  
Council Member

Harvey E. Schmidt  
Jackson L. Baker  
Laurence R. Van Alstine, Jr.  
Patricia A. Housekeeper  
Mary Deming  
Troy Wright  
Gary Naugle

**Appointed Officials**

Manager  
Assessor  
Cemetery Superintendent  
Clerk  
Civic Auditorium Executive Director  
Development Services Director  
Public Works Superintendent  
Emergency Services Chief  
Parks & Recreation Director  
Police Chief  
Superintendent of Utilities  
Treasurer  
Economic Development Director

Kevin M. Welch  
Amanda Lacelle  
Dan Righter  
Laura Caterina  
Johanna Walker  
Bradley Raymond  
Duaine Wells  
Joseph C. Tuckey  
Pat Paul Sorise  
Macklin Haun  
Michael Bearinger  
Dianne M. Sackett  
Paula Holtz

## FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

October 4, 2007

The Honorable Mayor and  
Members of the City Council  
City of Tecumseh  
Lenawee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF TECUMSEH, MICHIGAN**, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-14 and the employees' retirement system information on page 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tecumseh's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



## MANAGEMENT'S DISCUSSION and ANALYSIS

## Management's Discussion and Analysis

As management of the *City of Tecumseh, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$31,232,918 (*net assets*). Of this amount, \$240,704 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$251,882.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,794,338, an increase of \$102,804 in comparison with the prior year. Approximately 58 percent of this total amount, or \$2,799,298, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the total fund balance for the general fund was \$1,228,551, while the unreserved portion of the fund balance for the general fund was \$889,241 or 15 percent of total general fund expenditures and transfers out.
- The City's total bonded debt decreased by \$165,000 during the current fiscal year. No new debt was issued during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks and recreation, community development and operation of the civic auditorium. The business-type activities of the City include water and sanitary sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The City of Tecumseh Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, development services, streetscape project, and civic auditorium trust funds, each of which are considered to be major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its wastewater and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its public works and general maintenance equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-57 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59-73 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Tecumseh, assets exceeded liabilities by \$31,232,918 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (85.9 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (13.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (0.8 percent or \$240,704) may be used to meet the government's ongoing obligations.

### City of Tecumseh's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 5,308,286	\$ 5,216,007	\$ 2,079,230	\$ 2,114,664	\$ 7,387,516	\$ 7,330,671
Capital assets	16,269,197	16,289,416	11,081,909	11,204,267	27,351,106	27,493,683
Total assets	21,577,483	21,505,423	13,161,139	13,318,931	34,738,622	34,824,354
Long-term liabilities outstanding	3,058,821	3,261,924	180,729	246,561	3,239,550	3,508,485
Other liabilities	213,420	287,998	52,734	46,835	266,154	334,833
Total liabilities	3,272,241	3,549,922	233,463	293,396	3,505,704	3,843,318
Net assets:						
Invested in capital assets, net of related debt	15,811,861	15,610,207	11,016,909	11,079,267	26,828,770	26,689,474
Restricted	2,623,049	2,747,827	1,540,395	1,318,870	4,163,444	4,066,697
Unrestricted	(129,668)	(402,533)	370,372	627,398	240,704	224,865
Total net assets	<u>\$ 18,305,242</u>	<u>\$ 17,955,501</u>	<u>\$ 12,927,676</u>	<u>\$ 13,025,535</u>	<u>\$ 31,232,918</u>	<u>\$ 30,981,036</u>

At the end of the current fiscal year, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities, except for a deficit in the unrestricted net assets of the governmental activities. Positive balances for all categories, except for the governmental activities unrestricted net assets, were reported the prior fiscal year. The primary reason for the deficit balance in the current and prior year was because the primary government incurred \$2.15 million of new debt to purchase land during fiscal 2005, but title to the land was transferred to the Tecumseh Economic Development Corporation. As a result the primary government reports the long-term liability, but not the related capital asset in its financial statements.

The government's net assets increased by \$251,882 during the current fiscal year. The primary reason for this increase was a managed reduction in expenses greater than budgeted revenues.

### City of Tecumseh's Changes in Net Assets

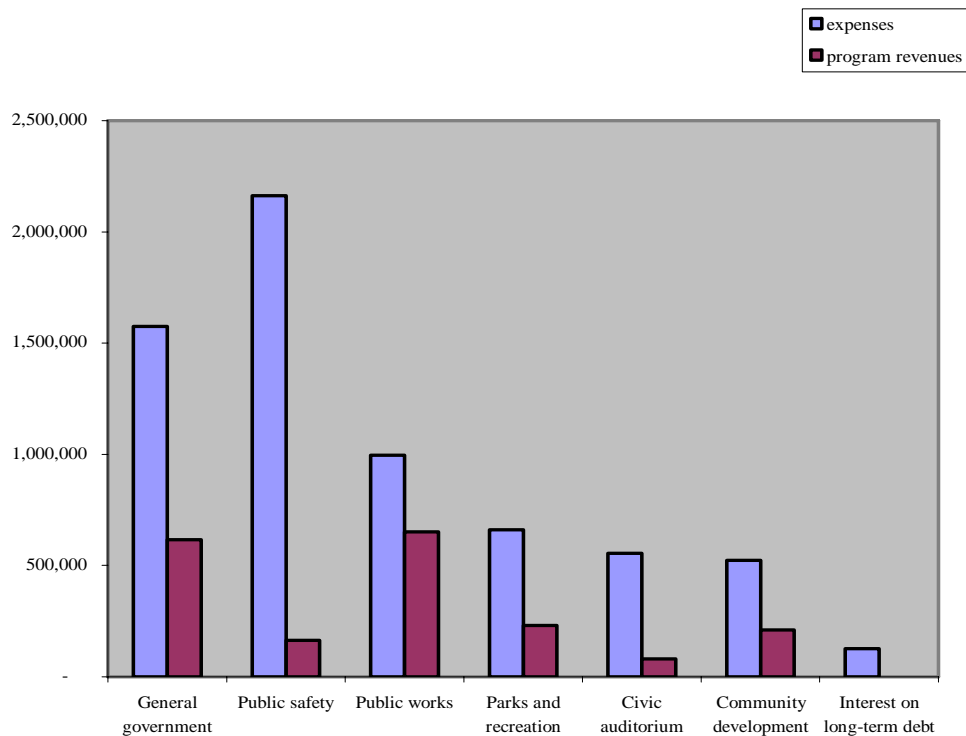
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenue:						
Charges for services	\$ 877,679	\$ 791,115	\$ 1,548,270	\$ 1,616,251	\$ 2,425,949	\$ 2,407,366
Operating grants and contributions	801,648	684,781	-	-	801,648	684,781
Capital grants and contributions	380,302	475,034	49,028	96,678	429,330	571,712
General revenue:						
Property taxes	4,056,239	3,875,075	-	-	4,056,239	3,875,075
Grants and contributions not restricted to specific programs	815,190	824,403	-	-	815,190	824,403
Other	214,897	183,542	101,524	81,412	316,421	264,954
Total revenue	<u>7,145,955</u>	<u>6,833,950</u>	<u>1,698,822</u>	<u>1,794,341</u>	<u>8,844,777</u>	<u>8,628,291</u>
Expenses:						
General government	1,624,898	1,575,053	-	-	1,624,898	1,575,053
Public safety	2,206,194	2,163,553	-	-	2,206,194	2,163,553
Public works	1,082,985	996,024	-	-	1,082,985	996,024
Parks and recreation	751,336	661,173	-	-	751,336	661,173
Civic auditorium	501,271	555,002	-	-	501,271	555,002
Community development	531,668	522,402	-	-	531,668	522,402
Interest on long-term debt	113,637	125,960	-	-	113,637	125,960
Wastewater	-	-	1,166,237	1,054,516	1,166,237	1,054,516
Water	-	-	630,444	654,754	630,444	654,754
Total expenses	<u>6,811,989</u>	<u>6,599,167</u>	<u>1,796,681</u>	<u>1,709,270</u>	<u>8,608,670</u>	<u>8,308,437</u>
Increase in net assets before contributions to permanent funds	333,966	234,783	(97,859)	85,071	236,107	319,854
Contributions to permanent funds	<u>15,775</u>	<u>9,675</u>	<u>-</u>	<u>-</u>	<u>15,775</u>	<u>9,675</u>
Increase (decrease) in net assets	349,741	244,458	(97,859)	85,071	251,882	329,529
Net assets - beginning of year	<u>17,955,501</u>	<u>17,711,043</u>	<u>13,025,535</u>	<u>12,940,464</u>	<u>30,981,036</u>	<u>30,651,507</u>
Net assets - end of year	<u><u>\$ 18,305,242</u></u>	<u><u>\$ 17,955,501</u></u>	<u><u>\$ 12,927,676</u></u>	<u><u>\$ 13,025,535</u></u>	<u><u>\$ 31,232,918</u></u>	<u><u>\$ 30,981,036</u></u>

**Governmental activities.** Governmental activities increased the City's net assets by \$349,741 in the current fiscal year; by comparison, in the prior year governmental activities net assets increased by \$244,458, a change of just over \$105,000. Key elements of this change include:

- An increase in cash at the end of the year of approximately \$169,309 attributable to more tax revenue and less expenses.
- A decrease in current liabilities of approximately \$191,368 attributable to the bond for the police building addition being paid off in September 2006.
- A decrease in general government expenses of approximately \$71,520 as a result of containing costs.

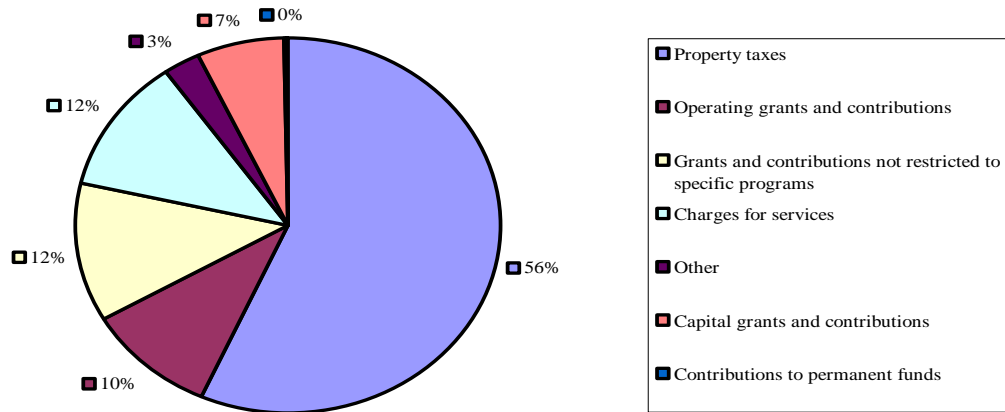
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### Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities



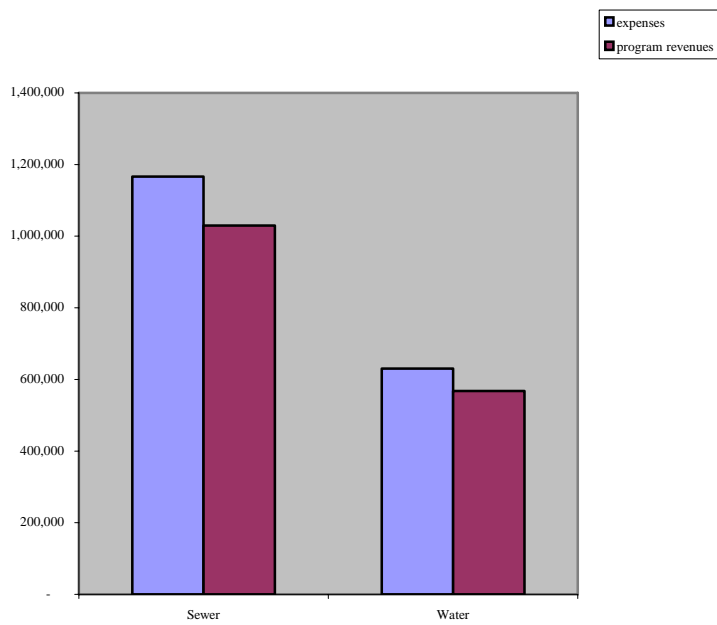
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**Business-type activities.** Business-type activities decreased the City's net assets by \$97,859 as compared to an increase of \$85,071 in the previous fiscal year. The key element of the difference between fiscal years is a decrease in capital contributions from residential developers from \$97,000 in fiscal 2006 to no capital contributions in fiscal 2007, a decrease in water consumption of approximately \$61,860 , and an increase in wastewater operating expenses of \$114,241 due to inflation and some small capital improvement projects.



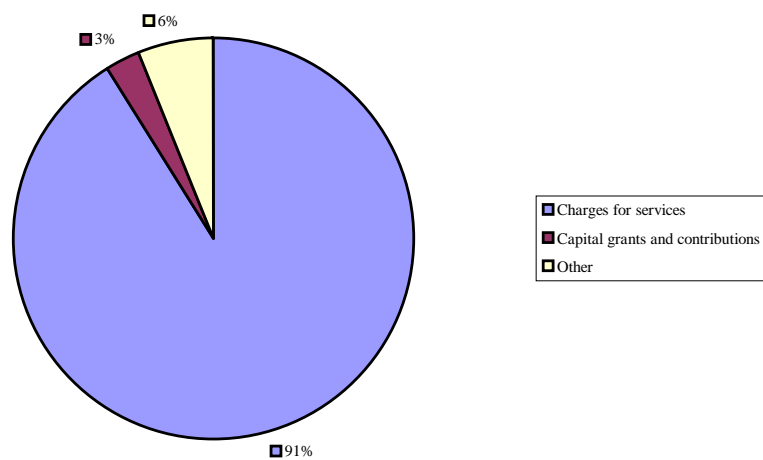
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## Expenses and Program Revenues - Business-type Activities



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## Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,794,338, an increase of \$102,804 in comparison with the prior year. Approximately 58% of this total amount (\$2,799,298) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: a) generate income for the support and maintenance of the civic auditorium (\$1,186,255); b) generate income to pay for the perpetual care of the municipal cemetery (\$469,475); c) acquire public safety equipment and training (\$250,706); and d) construct/equip a new park (\$88,604).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$889,241, while total fund balance was \$1,228,551. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 15 percent of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$72,861 during the current fiscal year, as compared to a decrease of \$44,350 for the previous fiscal year. In accounting for this change, property tax revenue increased approximately \$216,000 (or 5.7 percent); investment earnings increased roughly \$43,000; contributions increased about \$133,421 (primarily attributable to donations for a fire truck); interest expense decreased by \$6,000; transfers out increased by nearly \$1,768; and proceeds from the sale of capital assets decreased by \$25,000. Other revenues, expenditures and other financing sources varied marginally up and down in comparison with the prior year.

The development services special revenue fund, which was established during fiscal 2006, ended the year with a total fund balance of \$15,486. The fund was set up to provide a distinct accounting of the City's development services activities, which includes building inspection.

The streetscape project capital projects fund reported a decrease in fund balance for the fiscal year of \$3,655, resulting in an ending fund balance of \$317,243. The residual fund balance represents the unspent proceeds of a prior year general obligation bond issuance and a prior year transfer of the proceeds of the sale of land from the general fund. These monies will be spent during fiscal 2008 on the West Chicago Street streetscape project pending receipt of a final billing from the Michigan Department of Transportation.

The civic auditorium trust fund, a permanent fund, has a fund balance of \$1,186,255, which is entirely reserved to generate future income for operations of the civic auditorium. During fiscal 2007, the fund transferred \$58,039 to the civic auditorium, which was taken from \$69,995 of current year expendable earnings. By the terms of the trust agreement that provided the original contribution of \$1,000,000 from a local private foundation, any interest earnings not expended on a calendar year basis must be added to the principal balance.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the business-type activities of the government wide financial statements, but in more detail.

Unrestricted net assets of the wastewater and water funds at the end of the year amounted to \$241,097 and \$172,271, respectively. The wastewater fund had a decrease in total net assets for the year of \$82,945, whereas the water fund had a decrease of \$10,436. Both of these decreases were due in large measure to no capital contributions by local residential developers. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor and spread across various functions/departments. Most noteworthy of which was an increase in the Public Works Department of \$68,724 due to setting up a new budget for the department.

For fiscal 2007, the budgetary estimate for the net change in fund balance was a decrease of \$28,192; the actual increase was \$72,861 (or a difference of \$101,053). This was primarily due to an increase in revenue sharing and investment income and franchise fees being paid in advance.

### **Capital Asset and Debt Administration**

***Capital assets.*** The City's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$27,351,106 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the City's investment in capital assets for the current fiscal year was 0.5 percent (a 0.1 percent decrease for governmental activities and a 1.1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Upgrades at the wastewater treatment plant of \$252,043.
- Major and local street infrastructure construction projects amounting to \$314,663.
- Fire truck purchase down payment at a cost of \$202,375.

**City of Tecumseh's Capital Assets**  
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 2,528,273	\$ 2,528,273	\$ -	\$ -	\$ 2,528,273	\$ 2,528,273
Land improvements	1,098,762	1,063,055			1,098,762	1,063,055
Buildings and systems	3,296,136	3,427,525	11,019,829	11,116,608	14,315,965	14,544,133
Vehicles	570,139	575,934	-	-	570,139	575,934
Equipment	993,683	1,037,338	62,080	87,659	1,055,763	1,124,997
Infrastructure	7,782,204	7,657,291	-	-	7,782,204	7,657,291
<b>Total</b>	<b>\$ 16,269,197</b>	<b>\$ 16,289,416</b>	<b>\$ 11,081,909</b>	<b>\$ 11,204,267</b>	<b>\$ 27,351,106</b>	<b>\$ 27,493,683</b>

Additional information on the City's capital assets can be found in note III.C on pages 47-48 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$520,000. Of this amount, \$455,000 is comprised of debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Tecumseh's Outstanding Debt**  
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 455,000	\$ 620,000	\$ -	\$ -	\$ 455,000	\$ 620,000
Revenue bonds	-	-	65,000	125,000	65,000	125,000
<b>Total</b>	<b>\$ 455,000</b>	<b>\$ 620,000</b>	<b>\$ 65,000</b>	<b>\$ 125,000</b>	<b>\$ 520,000</b>	<b>\$ 745,000</b>

The City's total bonded debt decreased by \$165,000 (26.6 percent) during the current fiscal year; no new debt was issued during the current year.

The City has an “A” rating from Standard & Poor’s.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$27.5 million, which is significantly in excess of the City’s outstanding general obligation debt.

Additional information on the City’s long-term debt can be found in note III.G on pages 50-53 of this report.

### **Economic Factors and Next Year’s Budgets and Rates**

The following factors were considered in preparing the City’s budget for the 2007-08 fiscal year:

- The overall plan for the budget was to maintain services in the community by providing a well staffed, equipped and trained work force.
- To be sensitive to factors that may influence revenue projections, such as cuts to state shared revenue and potential plant closings that may increase unemployment rates, occupancy rates and reductions in personal property.
- The City also wants to ensure that it has funding for streets, roads and other capital improvement projects by earmarking funds for future use.

During the current fiscal year, unreserved fund balance in the general fund decreased by \$2,784 to \$889,241. The City has appropriated \$29,131 of general fund unreserved fund balance for spending in the 2007-08 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, 309 East Chicago Boulevard, Tecumseh, Michigan 49286.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets**  
**June 30, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,087,805	\$ 494,903	\$ 3,582,708	\$ 131,562
Investments	1,985,280	-	1,985,280	-
Receivables	164,357	86,314	250,671	-
Internal balances	42,996	(42,996)	-	-
Prepaid items and other assets	-	614	614	-
Unamortized bond issuance costs	27,795	-	27,795	48,608
Restricted cash	53	909,475	909,528	-
Restricted investments	-	630,920	630,920	-
Capital assets not being depreciated	2,528,273	-	2,528,273	2,056,000
Capital assets being depreciated, net	13,740,924	11,081,909	24,822,833	-
<b>Total assets</b>	<b>21,577,483</b>	<b>13,161,139</b>	<b>34,738,622</b>	<b>2,236,170</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	156,754	51,889	208,643	11,105
Accrued interest payable	56,666	845	57,511	5,332
Unamortized bond premium	-	-	-	11,400
Long-term liabilities:				
Due within one year	306,502	105,267	411,769	90,000
Due in more than one year	2,752,319	75,462	2,827,781	1,240,000
<b>Total liabilities</b>	<b>3,272,241</b>	<b>233,463</b>	<b>3,505,704</b>	<b>1,357,837</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	15,811,861	11,016,909	26,828,770	2,056,000
Restricted for:				
Civic auditorium:				
Operations	180,860	-	180,860	-
Endowment - nonexpendable	1,186,255	-	1,186,255	-
Capital replacement	-	1,473,902	1,473,902	-
Debt service	10,100	66,493	76,593	2,419
Capital projects	82,421	-	82,421	-
Perpetual care - nonexpendable	469,475	-	469,475	-
Perpetual care - expendable	110,503	-	110,503	-
Other purposes	583,435	-	583,435	-
Unrestricted (deficit)	(129,668)	370,372	240,704	(1,180,086)
<b>Total net assets</b>	<b>\$ 18,305,242</b>	<b>\$ 12,927,676</b>	<b>\$ 31,232,918</b>	<b>\$ 878,333</b>

The accompanying notes are an integral part of these financial statements.



**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<b><u>Functions / Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 1,624,898	\$ 400,253	\$ -	\$ -	\$ (1,224,645)
Public safety	2,206,194	117,064	21,395	250,996	(1,816,739)
Public works	1,082,985	4,396	627,527	42,208	(408,854)
Parks and recreation	751,336	115,235	-	87,098	(549,003)
Civic auditorium	501,271	120,333	138,775	-	(242,163)
Community development	531,668	120,398	13,951	-	(397,319)
Interest on long-term debt	113,637	-	-	-	(113,637)
Total governmental activities	<u>6,811,989</u>	<u>877,679</u>	<u>801,648</u>	<u>380,302</u>	<u>(4,752,360)</u>
Business-type activities:					
Wastewater	1,166,237	980,262	-	49,028	(136,947)
Water	630,444	568,008	-	-	(62,436)
Total business-type activities	<u>1,796,681</u>	<u>1,548,270</u>	<u>-</u>	<u>49,028</u>	<u>(199,383)</u>
Total primary government	<u>\$ 8,608,670</u>	<u>\$ 2,425,949</u>	<u>\$ 801,648</u>	<u>\$ 429,330</u>	<u>\$ (4,951,743)</u>
<b>Component units</b>					
Community development	<u>\$ 134,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (134,570)</u>

continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (4,752,360)	\$ (199,383)	\$ (4,951,743)	\$ (134,570)
General revenues:				
Property taxes	4,056,239	-	4,056,239	233,173
Grants and contributions not restricted to specific programs	815,190	-	815,190	-
Unrestricted investment earnings	214,897	101,524	316,421	8,098
Contributions to permanent funds	15,775	-	15,775	-
Total general revenues and contributions	5,102,101	101,524	5,203,625	241,271
Change in net assets	349,741	(97,859)	251,882	106,701
Net assets, beginning of year	17,955,501	13,025,535	30,981,036	771,632
<b>Net assets, end of year</b>	<b>\$ 18,305,242</b>	<b>\$ 12,927,676</b>	<b>\$ 31,232,918</b>	<b>\$ 878,333</b>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**CITY OF TECUMSEH, MICHIGAN**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	<u>General</u>	<u>Development Services</u>	<u>Streetscape Project</u>	<u>Civic Auditorium Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
<b>Assets</b>						
Cash and cash equivalents	\$ 1,184,240	\$ 56,660	\$ 318,432	\$ 7,801	\$ 1,227,755	\$ 2,794,888
Investments	-	-	-	1,170,199	815,081	1,985,280
Accounts receivable	22,593	6,294	-	-	55,056	83,943
Special assessments receivable	67,889	-	-	-	-	67,889
Accrued interest receivable	-	-	-	8,255	4,126	12,381
Restricted cash	-	-	-	-	53	53
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,274,722</u></b>	<b><u>\$ 62,954</u></b>	<b><u>\$ 318,432</u></b>	<b><u>\$ 1,186,255</u></b>	<b><u>\$ 2,102,071</u></b>	<b><u>\$ 4,944,434</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable / accrued liabilities	\$ 46,171	\$ 47,468	\$ 1,189	\$ -	\$ 55,268	\$ 150,096
<b>Fund balances:</b>						
Reserved for:						
Civic auditorium	-	-	-	1,186,255	-	1,186,255
Perpetual care	-	-	-	-	469,475	469,475
Public safety equipment and training	250,706	-	-	-	-	250,706
Parks donation	88,604	-	-	-	-	88,604
Unreserved:						
Designated for subsequent year	29,131	-	67,500	-	-	96,631
Undesignated	860,110	15,486	249,743	-	-	1,125,339
Designated for subsequent year:						
Special revenue funds	-	-	-	-	205,404	205,404
Capital projects funds	-	-	-	-	212,500	212,500
Undesignated, reported in nonmajor:						
Special revenue funds	-	-	-	-	956,400	956,400
Debt service funds	-	-	-	-	10,100	10,100
Capital projects funds	-	-	-	-	82,421	82,421
Permanent fund	-	-	-	-	110,503	110,503
Total fund balances	<u>1,228,551</u>	<u>15,486</u>	<u>317,243</u>	<u>1,186,255</u>	<u>2,046,803</u>	<u>4,794,338</u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,274,722</u></b>	<b><u>\$ 62,954</u></b>	<b><u>\$ 318,432</u></b>	<b><u>\$ 1,186,255</u></b>	<b><u>\$ 2,102,071</u></b>	<b><u>\$ 4,944,434</u></b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds	\$ 4,794,338
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	22,646,282
Deduct - accumulated depreciation	(6,804,849)

An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The assets and liabilities of the internal service fund are partially included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	757,163
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds and purchase agreements payable	(2,544,317)
Deduct - accrued interest on bonds payable	(56,666)
Add - unamortized bond issuance costs	27,795
Deduct - compensated absences	(514,504)

Net assets of governmental activities	<u><u>\$ 18,305,242</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>General</b>	<b>Development Services</b>	<b>Streetscape Project</b>	<b>Civic Auditorium Trust</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes and special assessments	\$ 3,978,434	\$ -	\$ -	\$ -	\$ 120,013	\$ 4,098,447
Licenses and permits	121,823	88,676	-	-	-	210,499
Intergovernmental	836,584	-	-	-	662,258	1,498,842
Charges for services	395,307	26,104	-	-	189,608	611,019
Fines and forfeits	50,874	-	-	-	-	50,874
Investment earnings	181,584	724	15,639	69,995	28,656	296,598
Contributions	290,156	-	-	-	41,642	331,798
Other revenues	15,239	-	-	-	10,124	25,363
Total revenues	<u>5,870,001</u>	<u>115,504</u>	<u>15,639</u>	<u>69,995</u>	<u>1,052,301</u>	<u>7,123,440</u>
<b>Expenditures</b>						
Current:						
General government	1,514,871	-	-	-	20,604	1,535,475
Public safety	2,078,109	-	-	-	254,753	2,332,862
Public works	174,522	-	-	-	1,091,036	1,265,558
Parks and recreation	555,465	-	-	-	81,879	637,344
Civic auditorium	-	-	-	-	444,353	444,353
Community development	-	250,882	19,294	-	196,301	466,477
Debt service:						
Principal	55,400	1,473	-	-	165,000	221,873
Interest and fiscal charges	95,430	139	-	-	21,125	116,694
Total expenditures	<u>4,473,797</u>	<u>252,494</u>	<u>19,294</u>	<u>-</u>	<u>2,275,051</u>	<u>7,020,636</u>
Revenues over (under) expenditures	<u>1,396,204</u>	<u>(136,990)</u>	<u>(3,655)</u>	<u>69,995</u>	<u>(1,222,750)</u>	<u>102,804</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	150,000	-	-	1,266,882	1,416,882
Transfers out	(1,323,343)	-	-	(58,039)	(35,500)	(1,416,882)
Total other financing sources (uses)	<u>(1,323,343)</u>	<u>150,000</u>	<u>-</u>	<u>(58,039)</u>	<u>1,231,382</u>	<u>-</u>
Net changes in fund balances	72,861	13,010	(3,655)	11,956	8,632	102,804
Fund balances, beginning of year	<u>1,155,690</u>	<u>2,476</u>	<u>320,898</u>	<u>1,174,299</u>	<u>2,038,171</u>	<u>4,691,534</u>
<b>Fund balances, end of year</b>	<u>\$ 1,228,551</u>	<u>\$ 15,486</u>	<u>\$ 317,243</u>	<u>\$ 1,186,255</u>	<u>\$ 2,046,803</u>	<u>\$ 4,794,338</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds \$ 102,804

Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	674,964
Deduct - depreciation expense	(541,427)
Deduct - loss on disposal of capital assets	(5,475)

Bond proceeds provide current financial resources to governmental funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	221,873
Deduct - amortization of bond/debt issuance costs	(2,216)

An internal service fund is used by management to charge the costs of certain  
equipment usage to individual funds. The net revenue (expense) attributable  
to those funds is partially reported with governmental activities.

Add - interest revenue from governmental internal service fund	10,799
Deduct - net operating loss from governmental activities in internal service fund	(95,868)

Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	3,058
Add - decrease in the accrual for compensated absences	(18,771)

Change in net assets of governmental activities	\$ 349,741
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The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes and special assessments	\$ 3,972,917	\$ 3,978,218	\$ 3,978,434	\$ 216
Licenses and permits	97,000	121,107	121,823	716
Intergovernmental	846,815	824,624	836,584	11,960
Charges for services	363,168	380,855	395,307	14,452
Fines and forfeits	45,700	47,950	50,874	2,924
Investment earnings	87,000	180,775	181,584	809
Contributions	21,000	285,996	290,156	4,160
Other revenues	32,108	17,942	15,239	(2,703)
Total revenues	5,465,708	5,837,467	5,870,001	32,534
<b>Expenditures</b>				
General government:				
Salaries and wages	427,244	431,258	430,356	(902)
Fringe benefits	210,096	219,610	208,184	(11,426)
Office expenditures	81,279	90,552	90,032	(520)
Contractual services	472,971	475,804	475,077	(727)
Insurance	49,735	42,022	42,022	-
Street lighting	98,000	99,000	105,681	6,681
Cemetery	168,860	165,414	161,849	(3,565)
Other expenditures	28,768	28,171	29,161	990
Capital outlay	2,000	-	-	-
Less: reimbursements	(24,116)	(23,663)	(27,491)	(3,828)
Total general government	1,514,837	1,528,168	1,514,871	(13,297)
Public safety:				
Police	1,622,652	1,621,240	1,599,736	(21,504)
Fire	525,611	486,694	478,373	(8,321)
Total public safety	2,148,263	2,107,934	2,078,109	(29,825)
Public works:				
Public works department	42,831	111,555	89,355	(22,200)
Sidewalks	39,205	86,566	85,167	(1,399)
Total public works	82,036	198,121	174,522	(23,599)

continued...



**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Expenditures (Concluded)</b>				
Parks and recreation	\$ 579,334	\$ 554,343	\$ 555,465	\$ 1,122
Debt service:				
Principal	56,747	56,747	55,400	(1,347)
Interest and fiscal charges	162,003	97,003	95,430	(1,573)
	<u>218,750</u>	<u>153,750</u>	<u>150,830</u>	<u>(2,920)</u>
Total expenditures	<u>4,543,220</u>	<u>4,542,316</u>	<u>4,473,797</u>	<u>(68,519)</u>
Revenues over expenditures	<u>922,488</u>	<u>1,295,151</u>	<u>1,396,204</u>	<u>101,053</u>
<b>Other financing sources (uses)</b>				
Transfers out	(953,423)	(1,323,343)	(1,323,343)	-
Proceeds from sale of capital assets	3,000	-	-	-
Total other financing (uses)	<u>(950,423)</u>	<u>(1,323,343)</u>	<u>(1,323,343)</u>	<u>-</u>
Net changes in fund balance	(27,935)	(28,192)	72,861	101,053
Fund balance, beginning of year	<u>1,155,690</u>	<u>1,155,690</u>	<u>1,155,690</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,127,755</u>	<u>\$ 1,127,498</u>	<u>\$ 1,228,551</u>	<u>\$ 101,053</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Development Services Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Licenses and permits	\$ 160,000	\$ 83,000	\$ 88,676	\$ 5,676
Charges for services	54,000	23,725	26,104	2,379
Investment earnings	1,000	1,000	724	(276)
Total revenues	215,000	107,725	115,504	7,779
<b>Expenditures</b>				
Community development	278,455	256,735	250,882	(5,853)
Debt service:				
Principal	2,770	1,474	1,473	(1)
Interest and fiscal charges	-	139	139	-
Total expenditures	281,225	258,348	252,494	(5,854)
Revenues (under) expenditures	(63,455)	(149,010)	(136,990)	12,020
<b>Other financing sources</b>				
Transfers in	69,000	150,000	150,000	-
Net changes in fund balance	5,545	990	13,010	12,020
Fund balance, beginning of year	2,476	2,476	2,476	-
<b>Fund balance, end of year</b>	<b>\$ 8,021</b>	<b>\$ 3,466</b>	<b>\$ 15,486</b>	<b>\$ 12,020</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 351,845	\$ 143,058	\$ 494,903	\$ 292,917
Accounts receivable	1,677	84,637	86,314	144
Total current assets	<u>353,522</u>	<u>227,695</u>	<u>581,217</u>	<u>293,061</u>
Noncurrent assets:				
Restricted cash and cash equivalents	725,730	183,745	909,475	-
Restricted investments	-	630,920	630,920	-
Property and equipment - net	8,898,723	2,183,186	11,081,909	427,764
Other assets - unamortized discount	-	614	614	-
Total noncurrent assets	<u>9,624,453</u>	<u>2,998,465</u>	<u>12,622,918</u>	<u>427,764</u>
Total assets	<u>9,977,975</u>	<u>3,226,160</u>	<u>13,204,135</u>	<u>720,825</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	32,178	19,711	51,889	6,658
Accrued interest payable	-	845	845	-
Accrued compensated absences, current portion	27,872	12,395	40,267	-
Revenue bonds payable, current portion	-	65,000	65,000	-
Total current liabilities	<u>60,050</u>	<u>97,951</u>	<u>158,001</u>	<u>6,658</u>
Noncurrent liabilities:				
Accrued compensated absences, net of current portion	<u>52,375</u>	<u>23,087</u>	<u>75,462</u>	<u>-</u>
Total liabilities	<u>112,425</u>	<u>121,038</u>	<u>233,463</u>	<u>6,658</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	8,898,723	2,118,186	11,016,909	427,764
Restricted for capital replacement	725,730	748,172	1,473,902	-
Restricted for bond reserve account	-	62,000	62,000	-
Restricted for bond redemption account	-	4,493	4,493	-
Unrestricted	<u>241,097</u>	<u>172,271</u>	<u>413,368</u>	<u>286,403</u>
Total net assets	<u>\$ 9,865,550</u>	<u>\$ 3,105,122</u>	<u>12,970,672</u>	<u>\$ 714,167</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(42,996)</u>	
Net assets of business-type activities on the government-wide statement of net assets			<u>\$ 12,927,676</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Operating revenues</b>				
Charges for services	\$ 980,262	\$ 568,008	\$ 1,548,270	\$ 266,019
<b>Operating expenses</b>				
Salaries and wages	275,128	181,524	456,652	71,131
Fringe benefits	161,261	97,756	259,017	-
Office expenses	4,629	3,956	8,585	-
Contractual services	81,725	7,218	88,943	-
Insurance	35,643	12,843	48,486	26,126
Supplies and materials	67,914	124,939	192,853	61,978
Utilities	143,962	42,447	186,409	10,220
Depreciation/amortization	298,142	76,880	375,022	170,873
Other expenses	95,618	74,498	170,116	26,037
Total operating expenses	1,164,022	622,061	1,786,083	366,365
Operating income (loss)	(183,760)	(54,053)	(237,813)	(100,346)
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental	49,028	-	49,028	-
Investment income	51,787	49,737	101,524	10,799
Interest expense	-	(6,120)	(6,120)	-
Total nonoperating revenues (expenses)	100,815	43,617	144,432	10,799
Change in net assets	(82,945)	(10,436)	(93,381)	(89,547)
Net assets, beginning of year	9,948,495	3,115,558	13,064,053	803,714
<b>Net assets, end of year</b>	<u>\$9,865,550</u>	<u>\$3,105,122</u>	<u>\$12,970,672</u>	<u>\$ 714,167</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Reconciliation of the Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets of Enterprise Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2007**

Change in net assets - all enterprise funds	\$ (93,381)
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to enterprise funds is reported with business-type activities.

Deduct - net operating loss from business-type activities in internal service fund	<u>(4,478)</u>
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Change in net assets of business-type activities	<u><u>\$ (97,859)</u></u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 979,588	\$ 539,816	\$ 1,519,404	\$ 827
Cash received from interfund services	-	-	-	266,047
Cash payments to employees	(439,769)	(281,733)	(721,502)	(71,131)
Cash payments to suppliers for goods and services	(417,754)	(259,087)	(676,841)	(148,534)
Cash payments for interfund services	(5,873)	(5,999)	(11,872)	-
Net cash provided by operating activities	116,192	(7,003)	109,189	47,209
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(185,993)	(66,050)	(252,043)	(22,595)
Bond principal payments	-	(60,000)	(60,000)	-
Bond interest payments	-	(6,900)	(6,900)	-
Intergovernmental revenue	49,028	-	49,028	-
Net cash (used) by capital and related financing activities	(136,965)	(132,950)	(269,915)	(22,595)
<b>Cash flows from investing activities</b>				
Proceeds from matured investments	-	540,030	540,030	-
Purchase of investments	-	(630,920)	(630,920)	-
Investment income	51,787	49,737	101,524	10,799
Net cash provided (used) by investing activities	51,787	(41,153)	10,634	10,799
Net increase (decrease) in cash and cash equivalents	31,014	(181,106)	(150,092)	35,413
Cash and cash equivalents, beginning of year	1,046,561	507,909	1,554,470	257,504
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,077,575</u>	<u>\$ 326,803</u>	<u>\$ 1,404,378</u>	<u>\$ 292,917</u>
<b>Reconciliation to statement of net assets</b>				
Cash and cash equivalents	\$ 351,845	\$ 143,058	\$ 494,903	\$ 292,917
Restricted cash and cash equivalents	725,730	183,745	909,475	-
	<u>\$ 1,077,575</u>	<u>\$ 326,803</u>	<u>\$ 1,404,378</u>	<u>\$ 292,917</u>

Continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (183,760)	\$ (54,053)	\$ (237,813)	\$ (100,346)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation/amortization	298,142	76,880	375,022	170,873
Changes in assets and liabilities:				
Accounts receivable	(674)	(28,192)	(28,866)	855
Accounts payable and accrued liabilities	5,864	815	6,679	(24,173)
Accrued compensated absences	(3,380)	(2,453)	(5,833)	-
<b>Net cash provided by operating activities</b>	<u>\$ 116,192</u>	<u>\$ (7,003)</u>	<u>\$ 109,189</u>	<u>\$ 47,209</u>
<b>Non-Cash</b>				
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	<b>Employees' Retirement System Pension Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 138,746	\$ 7,525
Investments:		
Domestic equities	8,697,297	-
American depository receipts	1,432,376	-
U.S. treasuries	2,975,515	-
U.S. agencies	1,568,029	-
Corporate securities	374,250	-
Money market accounts	648,050	-
Accrued interest receivable	52,475	-
Delinquent taxes receivable	-	144,963
	<hr/>	<hr/>
Total assets	15,886,738	\$ 152,488
	<hr/>	<hr/>
<b>Liabilities</b>		
Accounts payable	-	\$ 33,731
Due to other governments	-	118,757
	<hr/>	<hr/>
Total liabilities	-	\$ 152,488
	<hr/>	<hr/>
<b>Net assets</b>		
Held in trust for pension and postemployment healthcare benefits	\$ 15,886,738	
	<hr/>	

The accompanying notes are an integral part of these financial statements.



**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds - Employees' Retirement System Pension Trust Fund**  
**For the Year Ended June 30, 2007**

**Additions**

Investment income:

Net realized and unrealized appreciation in fair value of investments	\$ 1,553,745	
Interest and dividends	447,428	
Less investment management fees	<u>(118,291)</u>	
Total investment income		<u>1,882,882</u>

Contributions:

City of Tecumseh	563,908	
Participants	<u>155,311</u>	
Total contributions		<u>719,219</u>
Total additions		<u>2,602,101</u>

**Deductions**

Participant benefits:

Pension	593,547	
Health	<u>38,965</u>	
Total participant benefits		<u>632,512</u>
Administrative expenses	25,066	
Participant refunds	<u>11,089</u>	
Total deductions		<u>668,667</u>

**Net additions to net assets held in trust for benefits**

Employees' pension benefits	\$ 1,758,007	
Postemployment healthcare benefits	<u>175,427</u>	1,933,434
Net assets held in trust for benefits, beginning of year		<u>13,953,304</u>

**Net assets held in trust for benefits, end of year**

Reserved for employees' pension benefits	15,145,532	
Reserved for employees' postemployment healthcare benefits	<u>741,206</u>	<u>\$ 15,886,738</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2007**

	<b><u>Downtown Development Authority</u></b>	<b><u>Economic Development Corporation</u></b>	<b><u>Totals</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 131,562	\$ -	\$ 131,562
Unamortized bond issuance costs	48,608	-	48,608
Capital assets not being depreciated	<u>56,000</u>	<u>2,000,000</u>	<u>2,056,000</u>
<b>Total assets</b>	<u>236,170</u>	<u>2,000,000</u>	<u>2,236,170</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	11,105	-	11,105
Accrued interest payable	5,332	-	5,332
Unamortized bond premium	11,400	-	11,400
Long-term liabilities:			
Due within one year	90,000	-	90,000
Due in more than one year	<u>1,240,000</u>	<u>-</u>	<u>1,240,000</u>
<b>Total liabilities</b>	<u>1,357,837</u>	<u>-</u>	<u>1,357,837</u>
<b>Net assets</b>			
Invested in capital assets	56,000	2,000,000	2,056,000
Restricted for:			
Debt service	2,419	-	2,419
Unrestricted (deficit)	<u>(1,180,086)</u>	<u>-</u>	<u>(1,180,086)</u>
<b>Total net assets (deficit)</b>	<u><u>\$ (1,121,667)</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ 878,333</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended June 30, 2007**

	<u><b>Downtown Development Authority</b></u>	<u><b>Economic Development Corporation</b></u>	<u><b>Totals</b></u>
<b>Expenses</b>			
Community development	<u>\$ 134,570</u>	<u>\$ -</u>	<u>\$ 134,570</u>
<b>General revenues</b>			
Property taxes	233,173	-	233,173
Unrestricted investment earnings	<u>8,098</u>	<u>-</u>	<u>8,098</u>
Total general revenues	<u>241,271</u>	<u>-</u>	<u>241,271</u>
Change in net assets	106,701	-	106,701
Net assets (deficit), beginning of year	<u>(1,228,368)</u>	<u>2,000,000</u>	<u>771,632</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (1,121,667)</u></u>	<u><u>\$ 2,000,000</u></u>	<u><u>\$ 878,333</u></u>

The accompanying notes are an integral part of the financial statements.

## NOTES to the FINANCIAL STATEMENTS

# CITY OF TECUMSEH, MICHIGAN

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### Notes to the Financial Statements

June 30, 2007

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# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The City of Tecumseh, Michigan is a municipal corporation governed by a seven-member council and administered by an appointed City manager. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The blended and discretely presented component units have June 30 year ends.

*Blended component unit.* The Building Authority is governed by a three member board appointed by the City Council. Its sole function is to oversee the financing and construction, if any, of the City's public buildings; therefore, it is reported as if it were part of the primary government. Currently, there are no such capital projects in process and, therefore, there are no Building Authority funds or activities reported herein.

*Discretely presented component units.* The Tecumseh Downtown Development Authority (DDA) is responsible for certain projects and activities whose purpose is to revitalize the downtown business district. The members of the DDA's governing board are appointed by the government's council. The DDA is also fiscally dependent upon the government because the government's council approves the DDA's budget and any debt issuances. The DDA does not issue separate financial statements; accordingly, DDA fund financial statements are included herein as supplementary information.

The Local Development Finance Authority of the City of Tecumseh (LDFA) is governed by a ten-member board consisting of seven members appointed by the City Manager (subject to City Council approval), one member appointed by Lenawee County, and two members appointed by Tecumseh Public Schools. The LDFA was formed to promote economic growth in the City of Tecumseh, pursuant to Public Act 281 of 1986. The LDFA has no financial activity; as such, no financial statements or information is presented.

The Economic Development Corporation of the City of Tecumseh (EDC) is governed by a nine-member board appointed by the City Manager (subject to City Council approval). The EDC was formed in December 2004 to strengthen and revitalize the City's economy, pursuant to Public Act 338 of 1974, as amended. The EDC's financial activity for fiscal 2004-2006 was limited to taking title to land purchased by the City, for which the City has retained the obligation to service the related long-term debt; no financial activity has occurred since.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *development services special revenue fund* accounts for the activities of building inspection department; the primary source of financing is license and permit fees and charges for services.

The *streetscape project capital projects fund* accounts for monies used for the West Chicago Street streetscape project. The primary source of financing is general obligation bonds and transfers from the general fund (using the proceeds from the sale of land).

The *civic auditorium trust fund* (a permanent fund) accounts for monies held in trust by the City, the investment earnings from which may only be used for the operation and maintenance of the cultural facility.

The government reports the following major proprietary funds:

The *wastewater fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the government reports the following fund types:

*Special revenue funds.* These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

*Debt service funds.* These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Capital projects funds.* These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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*Permanent funds.* These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

The *internal service fund* accounts for fleet and equipment management to other departments or agencies of the government on a cost reimbursement basis.

The *pension trust fund* accounts for the activities of the Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *agency funds* account for assets held for other governments in an agency capacity, including tax collections, D.A.R.E. funds and other project funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the wastewater and water enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### **D. Assets, liabilities and net assets/equity**

#### **1. *Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The Pension Trust Fund is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

#### **2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **3. *Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

#### **4. *Restricted assets***

Certain proceeds of the Water Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Also, certain resources have been set aside in that and other funds to finance capital asset replacements.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### 5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In accordance with the provisions of GASB Statement No. 34, the government has only capitalized infrastructure assets acquired or constructed since 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-40
Buildings	20-50
Public domain infrastructure	15-50
System infrastructure	15-50
Vehicles	7-25
Equipment	3-20

### 6. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### **7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

On or before the third Monday in April of each year, the City Manager must present the proposed budget to the government's council for review. The Council holds public hearings and a final budget must be prepared and adopted no later than the second Monday in May.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. The *general government* function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. Certain supplemental budgetary appropriations were made during the year, which were not considered material.

### B. Excess of expenditures over appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2007, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General fund</b>			
General government:			
Street lighting	\$ 99,000	\$ 105,681	\$ (6,681)
Other expenditures	28,171	29,161	(990)
Parks and recreation	554,343	555,465	(1,122)
<b>Civic auditorium fund</b>	441,625	444,353	(2,728)

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Following is a reconciliation of deposits and investments as of June 30, 2007:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Assets:</b>			
Cash and cash equivalents	\$ 3,582,708	\$ 131,562	\$ 3,714,270
Investments	1,985,280	-	1,985,280
Restricted cash	909,528	-	909,528
Restricted investments	630,920	-	630,920
<b>Statement of Fiduciary Net Assets:</b>			
Pension trust fund:			
Cash and cash equivalents	138,746	-	138,746
Investments	15,695,517	-	15,695,517
Agency funds -			
Cash and cash equivalents	<u>7,525</u>	<u>-</u>	<u>7,525</u>
<b>Total</b>	<b><u>\$ 22,950,224</u></b>	<b><u>\$ 131,562</u></b>	<b><u>\$ 23,081,786</u></b>
<b>Deposits and Investments:</b>			
Bank deposits (checking accounts and certificates of deposit)			\$ 2,905,873
Investments in securities, mutual funds and similar vehicles:			
Treasurer's investment pool			4,478,396
Pension trust fund			15,695,517
Cash on hand			<u>2,000</u>
<b>Total</b>			<b><u>\$ 23,081,786</u></b>

#### Bank Deposits and Treasurer's Investment Pool

*Custodial Credit Risk - Deposits.* Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2007, \$2,657,463 of the City's total bank balance of \$2,957,463 (total book balance was \$2,905,873) was exposed to custodial credit risk as it was uninsured and uncollateralized.

In accordance with the City's investment policy and State law, all deposits are uncollateralized and held in the City's name. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

*Custodial Credit Risk - Investments.* Following is a summary of the City's investments as of June 30, 2007:

U.S. treasuries	\$ 312,247
U.S. agencies	1,464,965
Domestic equities	176,738
External investment pool	2,493,114
Money market	<u>31,332</u>
<b>Total</b>	<b><u>\$ 4,478,396</u></b>

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

The above investment in domestic equities is generally not allowed under State statutes; however, an exception is provided for donated investments. In this instance, Tecumseh Products, Inc. common stock was donated to the City for the benefit of the Civic Auditorium with the condition that the City cannot sell the stock.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2007, the City's investments in securities of U.S. agencies were rated AAA by Standard & Poor's and its investment in the external local government investment pool was rated AAA/V1 by Fitch. Ratings are not required for U.S. treasuries or money market accounts.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer. At June 30, 2007, the City had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	17.8%
	Federal National Mortgage Association	9.5%

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

*Interest Rate Risk.* Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the practice of the City to manage this risk by purchasing a mix of short and longer term investments. This laddering approach also matches investment maturities to projected cash flow needs.

As of June 30, 2007, maturities of the City's debt securities were as follows:

	Fair Value	Investment Maturities (fair value by years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. treasuries	\$ 312,247	\$ 167,430	\$ 144,817	\$ -	\$ -
U.S. agencies	1,464,965	100,150	900,012	400,725	64,078
	<u>\$ 1,777,212</u>	<u>\$ 267,580</u>	<u>\$ 1,044,829</u>	<u>\$400,725</u>	<u>\$ 64,078</u>

The average maturity of the portfolio investments in the external investment pool was less than 60 days as of June 30, 2007.

### Employees' Retirement System Investments

The System's investments are primarily held in a broker-administered trust fund. Following is a summary of the System's investments at fair value, as determined by quoted market price, as of June 30, 2007:

Domestic equities	\$ 8,697,297
American depository receipts	1,432,376
U.S. treasuries	2,975,515
U.S. agencies	1,568,029
Corporate securities	374,250
Money market funds	<u>648,050</u>
<b>Total investments</b>	<b><u>\$ 15,695,517</u></b>

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policy provides that investments in fixed income securities be limited to those rated BBB- or better at the time of purchase by a nationally recognized statistical rating organization, except for United States treasury securities which are explicitly guaranteed by the U.S. government and not considered to have credit risk. As of June 30, 2007, the System's investments in fixed income securities, except for U.S. treasuries, were rated by Standard & Poor's as follows:



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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<u>Rating</u>	<u>U.S. agencies</u>	<u>Corporate</u>
AAA	\$ 1,568,029	\$ 116,675
AA+	-	153,298
AA-	-	104,277
	<u>\$ 1,568,029</u>	<u>\$ 374,250</u>

The System's investments in money market funds are not rated.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although its investment policy does not specifically address custodial credit risk (and its investments are uninsured and unregistered), the System's investments are not exposed to custodial credit risk since the securities are held by the counterparty or its agent in the System's name. Short-term investments in money market funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy generally requires that no more than 8% to 10% of a particular portfolio may be invested in any one company or issuer, except for U.S. treasuries and agencies. At June 30, 2007, the System's investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal National Mortgage Association	12.7%

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

As of June 30, 2007, maturities of the System's debt securities were as follows:

	<b>Fair Value</b>	<b>Investment Maturities (fair value by years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. treasuries	\$ 2,975,515	\$ -	\$ 2,102,094	\$ 873,421	\$ -
U.S. agencies	1,568,029	-	1,568,029	-	-
Corporate	374,250	-	374,250	-	-
	<b>\$ 4,917,794</b>	<b>\$ -</b>	<b>\$ 4,044,373</b>	<b>\$ 873,421</b>	<b>\$ -</b>

### B. Receivables

Receivables in the governmental activities are 41 percent special assessments receivable, and 59 percent other receivables. Business-type activities receivables are composed entirely of amounts due from customers.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### C. Capital assets

Capital assets activity for the year ended June 30, 2007 was as follows:

#### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,528,273	\$ -	\$ -	\$ 2,528,273
Capital assets, being depreciated:				
Land improvements	1,147,663	67,040	-	1,214,703
Buildings	6,499,223	26,101	-	6,525,324
Vehicles	1,135,697	64,145	-	1,199,842
Equipment	3,469,544	225,607	(20,409)	3,674,742
Infrastructure	9,172,818	314,663	-	9,487,481
Total capital assets being depreciated	21,424,945	697,556	(20,409)	22,102,092
Less accumulated depreciation for:				
Land improvements	(84,608)	(31,333)	-	(115,941)
Buildings	(3,071,698)	(157,490)	-	(3,229,188)
Vehicles	(559,763)	(69,940)	-	(629,703)
Equipment	(2,432,206)	(263,787)	14,934	(2,681,059)
Infrastructure	(1,515,527)	(189,750)	-	(1,705,277)
Total accumulated depreciation	(7,663,802)	(712,300)	14,934	(8,361,168)
Total capital assets, being depreciated, net	13,761,143	(14,744)	(5,475)	13,740,924
<b>Governmental activities capital assets, net</b>	<b>\$ 16,289,416</b>	<b>\$ (14,744)</b>	<b>\$ (5,475)</b>	<b>\$ 16,269,197</b>
<b>Business-type activities</b>				
Capital assets, being depreciated:				
Buildings and systems	\$ 16,520,951	\$ 252,043	\$ -	\$ 16,772,994
Equipment	236,596	-	-	236,596
Total capital assets being depreciated	16,757,547	252,043	-	17,009,590
Less accumulated depreciation for:				
Buildings and systems	(5,404,343)	(348,822)	-	(5,753,165)
Equipment	(148,937)	(25,579)	-	(174,516)
Total accumulated depreciation	(5,553,280)	(374,401)	-	(5,927,681)
<b>Business-type activities capital assets, net</b>	<b>\$ 11,204,267</b>	<b>\$ (122,358)</b>	<b>\$ -</b>	<b>\$ 11,081,909</b>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 34,227
Public safety	159,579
Public works, including depreciation of general infrastructure assets	196,957
Parks and recreation	65,080
Civic auditorium	54,278
Community development	31,306
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>170,873</u>

**Total depreciation expense - governmental activities** **\$ 712,300**

Business-type activities:

Wastewater	\$ 298,141
Water	<u>76,260</u>

**Total depreciation expense - business-type activities** **\$ 374,401**

### **Discretely presented component units**

The Downtown Development Authority owns land that was originally purchased for \$56,000. There were no increases or decreases to the Authority's capital assets during the year.

The Economic Development Corporation (EDC) holds \$2.0 million of land that was acquired by the City during fiscal 2004-05 and contributed to the EDC by the City. The City is carrying the debt obligation for this transaction (see Note III.G.). There were no increases or decreases to the EDC's capital assets during the current year.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### D. Payables

Payables in the governmental activities are 61 percent vendors and 39 percent deposits. Business-type activities payables are composed entirely of amounts due to vendors.

### E. Interfund receivables, payables and transfers

At June 30, 2007, no amounts were reported as interfund receivables and payables in the fund financial statements. However, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of the Internal Service Fund.

For the year then ended, interfund transfers consisted of the following:

		<u>Transfer from:</u>			<u>Total</u>
		<u>General</u>	<u>Civic Auditorium Trust</u>	<u>Nonmajor Governmental</u>	
<b>Transfer to:</b>					
Development services	\$	150,000	\$ -	\$ -	\$ 150,000
Nonmajor governmental		1,173,343	58,039	35,500	1,266,882
		<u>\$ 1,323,343</u>	<u>\$ 58,039</u>	<u>\$ 35,500</u>	<u>\$ 1,416,882</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### F. Leases

**Capital Leases** – The City acquired certain computer equipment under a capital lease. The gross amount of assets acquired under capital leases was \$5,901. The following is a schedule of future minimum lease payments under this capital lease, together with the present value of the minimum lease payments, as of June 30, 2007:

2008	\$ 1,612
2009	806
Less amount representing interest	<u>(82)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 2,336</u></b>

**Operating Leases** - The City has commitments under operating lease agreements that provide for annual minimum lease payments as follows:

2008	\$ 4,788
2009	4,788
2010	<u>4,788</u>
<b>Total</b>	<b><u>\$ 14,364</u></b>

Rental expense for all operating leases aggregated \$4,788 for the year ended June 30, 2007.

### G. Long-term debt

*General obligation bonds.* The government issues general obligation bonds to provide general funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities as well as for a component unit. The original amount of general obligation bonds issued in prior years for the governmental activities items listed below was \$465,000. No new or refunding obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
<b>Governmental Activities:</b>		
Public works	2.85% - 4.25%	<u><b>\$ 455,000</b></u>
<b>Component Unit - Downtown Development Authority:</b>		
General government	4.05% - 5.00%	<u><b>\$1,330,000</b></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,000	\$ 16,919	\$ 90,000	\$ 63,978
2009	15,000	16,499	95,000	60,332
2010	15,000	16,060	100,000	56,342
2011	20,000	15,525	115,000	51,342
2012	20,000	14,895	120,000	45,592
2013-2017	160,000	59,659	355,000	168,396
2018-2022	210,000	22,760	455,000	59,104
	<u><b>\$ 455,000</b></u>	<u><b>\$ 162,317</b></u>	<u><b>\$ 1,330,000</b></u>	<u><b>\$ 505,086</b></u>

*Revenue bonds.* The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years for the item listed below was \$620,000. No revenue bonds were issued during the current year. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water supply system	5.2%	<u><b>\$ 65,000</b></u>

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

Revenue bond debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	<u>\$ 65,000</u>	<u>\$ 3,380</u>

**Purchase agreements.** The government entered into three purchase agreements for the acquisition of real property, one of which is interest only through July 1, 2019 at which time a balloon principal balance is due; the other two were retired during the current year. Early principal payments on the remaining agreement may be made without penalty. Such an early payment in the amount of \$63,019 was made during fiscal 2006; the principal balance was \$2,086,981 as of June 30, 2007. The original amount of the outstanding obligation was \$2,150,000 and carries interest at 4.45 percent. Because the asset acquired through this purchase agreement (see Note III.C.) was contributed to a discretely presented component unit, but the debt obligation remained with the primary government, the outstanding purchase agreement balance is not deducted for purposes of calculating the amount for invested in capital assets net of related debt for the governmental activities in the statement of net assets. Annual debt service requirements to maturity for purchase agreements are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ -	\$ 97,004
2009	-	97,270
2010	-	97,004
2011	-	97,004
2012	-	97,004
2013-2017	-	485,552
2018-2020	<u>2,086,981</u>	<u>242,111</u>
	<u><b>\$2,086,981</b></u>	<u><b>\$ 1,212,949</b></u>

**Advance refundings.** In prior years, the City defeased certain general obligation bonds by placing the proceeds of a new bond issue in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2007, \$360,000 of bonds outstanding are considered defeased.



# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

*Changes in Long-Term Debt.* Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Primary Government</u></b>					
<b>Governmental activities</b>					
General obligation bonds	\$ 620,000	\$ -	\$ 165,000	\$ 455,000	\$ 15,000
Purchase agreements	2,142,381	-	55,400	2,086,981	-
Capital lease	3,809	-	1,473	2,336	1,348
Compensated absences	495,734	298,339	279,569	514,504	290,154
	<b>\$ 3,261,924</b>	<b>\$ 298,339</b>	<b>\$ 501,442</b>	<b>\$ 3,058,821</b>	<b>\$ 306,502</b>
<b>Business-type activities</b>					
Revenue bonds	\$ 125,000	\$ -	\$ 60,000	\$ 65,000	\$ 65,000
Compensated absences	121,561	55,531	61,363	115,729	40,267
	<b>\$ 246,561</b>	<b>\$ 55,531</b>	<b>\$ 121,363</b>	<b>\$ 180,729</b>	<b>\$ 105,267</b>
<b><u>Component Unit</u></b>					
General obligation bonds	<b>\$ 1,410,000</b>	<b>\$ -</b>	<b>\$ 80,000</b>	<b>\$ 1,330,000</b>	<b>\$ 90,000</b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

### H. Segment information--enterprise funds

The government issued revenue bonds to finance certain improvements to its water distribution and treatment system. Because the Water Fund, an individual fund that accounts entirely for the government's water distribution and treatment activities, is a segment and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

### I. Restricted assets

The balances of the restricted asset accounts are as follows:

	<b>Governmental activities</b>	<b>Business-type activities</b>		
		<b>Wastewater</b>	<b>Water</b>	<b>Total</b>
Civic auditorium contribution	\$ 53	\$ -	\$ -	\$ -
Wastewater fund - capital replacement	-	725,730	-	725,730
Water fund:				
Capital replacement	-	-	748,172	748,172
Bond reserve	-	-	62,000	62,000
Bond redemption	-	-	4,493	4,493
<b>Total restricted assets</b>	<b>\$ 53</b>	<b>\$ 725,730</b>	<b>\$ 814,665</b>	<b>\$ 1,540,395</b>
Restricted cash	\$ 53	\$ 725,730	\$ 183,745	\$ 909,475
Restricted investments	-	-	630,920	630,920
<b>Total restricted assets</b>	<b>\$ 53</b>	<b>\$ 725,730</b>	<b>\$ 814,665</b>	<b>\$ 1,540,395</b>

### J. Endowments

*Civic Auditorium Permanent Trust Fund.* For the year ended June 30, 2007, the net investment earnings of donor-restricted endowments was \$69,995 (\$58,719 of interest earnings and \$11,276 of appreciation on fair value of investments). Under the terms of the endowment, the City is authorized to spend the interest earnings on a calendar year basis for the benefit of the civic auditorium. However, any such interest earnings not expended during a particular fiscal year must be added to the nonexpendable principal or endowment balance. Accordingly, no amounts are available for authorized expenditure at year-end.

*Cemetery Perpetual Care Permanent Trust Fund.* For the year ended June 30, 2007, the net investment earnings of perpetual care endowments was \$23,613 (\$17,761 of interest earnings and \$5,852 of appreciation on fair value of investments). Under local ordinances and State statutes, the City is authorized based on a total-return policy to spend the net appreciation on the maintenance of the community cemetery. At June 30, 2007, accumulated available net appreciation of \$110,503 is reported in unrestricted net assets.

# **CITY OF TECUMSEH, MICHIGAN**

## **Notes to the Financial Statements**

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### **IV. OTHER INFORMATION**

#### **A. Risk management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2007, the government carried insurance through various commercial carriers, including the Michigan Municipal League, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

#### **B. Property taxes**

The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Lenawee County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for the 2006 levy were assessed and equalized at \$272,422,011 (not including properties subject to Industrial Facilities Tax exemption), representing roughly 50% of estimated current market value. The government's general operating tax rate for fiscal year 2006-07 was 14.3966 mills, with an additional 0.4280 mills levied for general obligation bond retirement.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Tecumseh, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

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### C. Pension and postemployment health insurance benefit plan

The City has a single-employer defined benefit contributory pension plan, the City of Tecumseh Employees' Retirement System (the "Plan"), which provides retirement, death and disability benefits covering all of the City's full-time employees. The Plan also provides postemployment health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on an actuarially determined basis. Membership of the Plan consisted of the following at June 30, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>56</u>
	<u><u>87</u></u>

Eligible members are required to contribute 5.5% to 6.73% of their annual compensation to the Plan with the City contributing such additional amounts, as necessary, to provide assets sufficient to pay for member benefits. The City's contribution to the Plan for the year ended June 30, 2007, represents 20.58% of the annual covered payroll.

The City of Tecumseh is the administrator of the Plan. Administrative costs of the Plan are financed through investment earnings. The Plan is included as a pension trust fund in the City's financial statements; a stand-alone financial report of the Plan has not been issued.

Plan amendments are under the authority of the City of Tecumseh Ordinances. Changes in required contributions are subject to the approval of the City of Tecumseh Employees' Retirement System Board and the City Council.

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The City's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

# CITY OF TECUMSEH, MICHIGAN

## Notes to the Financial Statements

Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost, which approximates fair value; securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; investments that do not have established fair values are reported at estimated fair value; and cash deposits are reported at carrying amounts which reasonably approximates fair value.

The Plan's annual retirement benefits cost and net retirement benefits obligation for the current year were as follows:

Annual required contribution / retirement benefit cost	\$563,908
Contribution made	<u>563,908</u>
Decrease in net retirement benefit obligation	-
Net retirement benefit obligation, beginning of year	<u>-</u>
<b>Net retirement benefit obligation, end of year</b>	<b><u><u>\$ -</u></u></b>

The annual required contribution for the current year was determined as part of an actuarial valuation of the Plan as of June 30, 2005, using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on investments of 7.5%; (b) projected salary increases of 4.75% attributable to inflation; (c) additional projected salary increases ranging from zero to 4.25%, depending on age, attributable to seniority/merit; (d) projected pension benefit increases of 2.8% annually after retirement; and (e) projected annual health care cost increases of 5.5% attributable to inflation.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over 20 years from June 30, 2006.

### Three-Year Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Retirement</u> <u>Benefit</u> <u>Cost</u> <u>(ARBC)</u>	<u>Percentage</u> <u>of ARBC</u> <u>Contributed</u>	<u>Net</u> <u>Retirement</u> <u>Benefit</u> <u>Obligation</u>
6/30/05	\$ 519,019	100	\$ -
6/30/06	552,123	100	-
6/30/07	563,908	100	-

GASB Statement 25 required supplemental information is presented after the Notes to Financial Statements section of this report.

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## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF TECUMSEH, MICHIGAN

## GASB Statement 25 Required Supplementary Information

### Employees Retirement System

#### Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date July 1</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL) (2-1)</b>	<b>Funded Ratio (1/2)</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll (3/5)</b>
1997	\$ 6,643,928	\$ 7,166,601	\$ 522,673	92.7 %	\$ 1,741,161	30.0 %
1998	7,429,870	7,784,434	354,564	95.4	1,869,797	19.0
1999	8,286,539	8,451,775	165,236	98.0	2,051,823	8.1
2000	9,497,499	9,623,399	125,900	98.7	2,099,324	6.0
2001	10,334,242	10,390,868	56,626	99.5	2,235,223	2.5
2002	10,796,391	11,476,620	680,229	94.1	2,335,861	29.1
2003	11,326,122	12,831,205	1,505,083	88.3	2,474,789	60.8
2004	11,735,749	13,832,854	2,097,105	84.8	2,542,599	82.5
2005	12,620,082	15,147,703	2,527,621	83.3	2,602,453	97.1
2006	13,802,018	16,463,083	2,661,065	83.8	2,571,150	103.5

#### Schedule of Employer Contributions

<b>Fiscal Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Annual Actual Contribution</b>	<b>Percentage Contributed</b>
1998	\$ 299,016	\$ 299,016	100.0 %
1999	328,411	328,411	100.0
2000	322,432	322,432	100.0
2001	343,918	343,918	100.0
2002	376,667	376,667	100.0
2003	403,989	403,989	100.0
2004	456,833	456,833	100.0
2005	519,019	519,019	100.0
2006	552,123	552,123	100.0
2007	563,908	563,908	100.0

**COMBINING and INDIVIDUAL FUND  
FINANCIAL STATEMENTS and SCHEDULES**



**CITY OF TECUMSEH, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	<b>Special Revenue Funds</b>					
	<b>Major Street and Trunkline</b>	<b>Local Street</b>	<b>Municipal Purchase</b>	<b>Economic Development</b>	<b>PA-48</b>	<b>Civic Auditorium</b>
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 407,599	\$ 194,026	\$ 346,680	\$ 7,757	\$ 1,887	\$ (85,232)
Investments	-	-	-	-	-	271,878
Accounts receivable	33,650	12,158	-	248	-	9,000
Accrued interest receivable	-	-	-	-	-	1,250
Restricted cash	-	-	-	-	-	53
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 441,249</u></b>	<b><u>\$ 206,184</u></b>	<b><u>\$ 346,680</u></b>	<b><u>\$ 8,005</u></b>	<b><u>\$ 1,887</u></b>	<b><u>\$ 196,949</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b>Liabilities</b>						
Accounts payable / accrued liabilities	\$ 3,290	\$ 18,604	\$ -	\$ 1,167	\$ -	\$ 16,089
<b>Fund Balances</b>						
Reserved for:						
Perpetual care	-	-	-	-	-	-
Unreserved:						
Designated for subsequent year	105,137	100,267	-	-	-	-
Undesignated	332,822	87,313	346,680	6,838	1,887	180,860
Total fund balances	437,959	187,580	346,680	6,838	1,887	180,860
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 441,249</u></b>	<b><u>\$ 206,184</u></b>	<b><u>\$ 346,680</u></b>	<b><u>\$ 8,005</u></b>	<b><u>\$ 1,887</u></b>	<b><u>\$ 196,949</u></b>

<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor</u>
<u>Wastewater Sinking</u>	<u>1996 GOB</u>	<u>MTF Bonds</u>	<u>S. Maumee Reconstruction</u>	<u>Capital Improvements</u>	<u>Cemetery Care</u>	<u>Governmental Funds</u>
\$ 5,127	\$ 4,368	\$ 605	\$ 57	\$ 310,982	\$ 33,899	\$ 1,227,755
-	-	-	-	-	543,203	815,081
-	-	-	-	-	-	55,056
-	-	-	-	-	2,876	4,126
-	-	-	-	-	-	53
<u>\$ 5,127</u>	<u>\$ 4,368</u>	<u>\$ 605</u>	<u>\$ 57</u>	<u>\$ 310,982</u>	<u>\$ 579,978</u>	<u>\$ 2,102,071</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,118</u>	<u>\$ -</u>	<u>\$ 55,268</u>
-	-	-	-	-	469,475	469,475
-	-	-	-	212,500	-	417,904
<u>5,127</u>	<u>4,368</u>	<u>605</u>	<u>57</u>	<u>82,364</u>	<u>110,503</u>	<u>1,159,424</u>
<u>5,127</u>	<u>4,368</u>	<u>605</u>	<u>57</u>	<u>294,864</u>	<u>579,978</u>	<u>2,046,803</u>
<u>\$ 5,127</u>	<u>\$ 4,368</u>	<u>\$ 605</u>	<u>\$ 57</u>	<u>\$ 310,982</u>	<u>\$ 579,978</u>	<u>\$ 2,102,071</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	<b>Special Revenue Funds</b>					
	<b>Major Street and Trunkline</b>	<b>Local Street</b>	<b>Municipal Purchase</b>	<b>Economic Development</b>	<b>PA-48</b>	<b>Civic Auditorium</b>
<b>Revenues</b>						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	433,052	150,413	-	-	25,959	6,800
Charges for services	-	-	-	-	-	173,833
Investment earnings (loss)	15,058	2,889	13,227	2,086	156	(33,162)
Contributions	-	-	-	-	-	41,642
Other revenues	2,198	2,198	5,618	-	-	-
<b>Total revenues</b>	<b>450,308</b>	<b>155,500</b>	<b>18,845</b>	<b>2,086</b>	<b>26,115</b>	<b>189,113</b>
<b>Expenditures</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	485,601	605,435	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Civic auditorium	-	-	-	-	-	444,353
Community development	-	-	5,739	190,562	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>485,601</b>	<b>605,435</b>	<b>5,739</b>	<b>190,562</b>	<b>-</b>	<b>444,353</b>
<b>Revenues over (under) expenditures</b>	<b>(35,293)</b>	<b>(449,935)</b>	<b>13,106</b>	<b>(188,476)</b>	<b>26,115</b>	<b>(255,240)</b>
<b>Other financing sources (uses)</b>						
Transfers in	75,000	370,500	120,000	189,000	-	68,382
Transfers out	-	-	-	-	(30,000)	-
<b>Total other financing sources (uses)</b>	<b>75,000</b>	<b>370,500</b>	<b>120,000</b>	<b>189,000</b>	<b>(30,000)</b>	<b>68,382</b>
<b>Net changes in fund balances</b>	<b>39,707</b>	<b>(79,435)</b>	<b>133,106</b>	<b>524</b>	<b>(3,885)</b>	<b>(186,858)</b>
<b>Fund balances, beginning of year</b>	<b>398,252</b>	<b>267,015</b>	<b>213,574</b>	<b>6,314</b>	<b>5,772</b>	<b>367,718</b>
<b>Fund balances, end of year</b>	<b>\$ 437,959</b>	<b>\$ 187,580</b>	<b>\$ 346,680</b>	<b>\$ 6,838</b>	<b>\$ 1,887</b>	<b>\$ 180,860</b>

Debt Service Funds			Capital Projects Funds		Permanent Fund	Total Nonmajor
Wastewater Sinking	1996 GOB	MTF Bonds	S. Maumee Reconstruction	Capital Improvements	Cemetery Care	Governmental Funds
\$ 17	\$ 119,996	\$ -	\$ -	\$ -	\$ -	\$ 120,013
-	-	-	-	46,034	-	662,258
-	-	-	-	-	15,775	189,608
139	301	1	143	4,205	23,613	28,656
-	-	-	-	-	-	41,642
-	-	-	-	110	-	10,124
156	120,297	1	143	50,349	39,388	1,052,301
-	-	-	-	20,604	-	20,604
-	-	-	-	254,753	-	254,753
-	-	-	-	-	-	1,091,036
-	-	-	-	81,879	-	81,879
-	-	-	-	-	-	444,353
-	-	-	-	-	-	196,301
-	155,000	10,000	-	-	-	165,000
-	3,870	17,255	-	-	-	21,125
-	158,870	27,255	-	357,236	-	2,275,051
156	(38,573)	(27,254)	143	(306,887)	39,388	(1,222,750)
-	-	27,000	-	417,000	-	1,266,882
-	-	-	(5,500)	-	-	(35,500)
-	-	27,000	(5,500)	417,000	-	1,231,382
156	(38,573)	(254)	(5,357)	110,113	39,388	8,632
4,971	42,941	859	5,414	184,751	540,590	2,038,171
\$ 5,127	\$ 4,368	\$ 605	\$ 57	\$ 294,864	\$ 579,978	\$ 2,046,803

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Street and Trunkline Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental - state	\$ 472,330	\$ 442,330	\$ 433,052	\$ (9,278)
Investment earnings	5,000	10,000	15,058	5,058
Other revenues	-	3,000	2,198	(802)
Total revenues	477,330	455,330	450,308	(5,022)
<b>Expenditures</b>				
Public Works:				
Street construction	175,200	140,185	133,987	(6,198)
Routine maintenance	414,258	215,985	213,859	(2,126)
Routine maintenance - bridges	2,192	1,000	235	(765)
Traffic services	20,764	19,164	18,012	(1,152)
Winter maintenance	45,257	34,292	31,588	(2,704)
Administration	60,815	70,015	73,994	3,979
Trunkline maintenance	20,350	13,670	13,926	256
Total expenditures	738,836	494,311	485,601	(8,710)
Revenues (under) expenditures	(261,506)	(38,981)	(35,293)	3,688
<b>Other financing sources</b>				
Transfers in	230,969	75,000	75,000	-
Net changes in fund balance	(30,537)	36,019	39,707	3,688
Fund balance, beginning of year	398,252	398,252	398,252	-
<b>Fund balance, end of year</b>	<b>\$ 367,715</b>	<b>\$ 434,271</b>	<b>\$ 437,959</b>	<b>\$ 3,688</b>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Street Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental - state	\$ 166,480	\$ 150,000	\$ 150,413	\$ 413
Investment earnings	1,500	4,000	2,889	(1,111)
Other revenues	-	2,200	2,198	(2)
Total revenues	167,980	156,200	155,500	(700)
<b>Expenditures</b>				
Public Works:				
Street construction	142,506	85,000	95,511	10,511
Routine maintenance	269,018	460,063	439,304	(20,759)
Winter maintenance	29,969	31,599	31,599	-
Administration	29,379	40,000	39,021	(979)
Total expenditures	470,872	616,662	605,435	(11,227)
Revenues (under) expenditures	(302,892)	(460,462)	(449,935)	10,527
<b>Other financing sources</b>				
Transfers in	329,111	370,500	370,500	-
Net changes in fund balance	26,219	(89,962)	(79,435)	10,527
Fund balance, beginning of year	267,015	267,015	267,015	-
<b>Fund balance, end of year</b>	<b>\$ 293,234</b>	<b>\$ 177,053</b>	<b>\$ 187,580</b>	<b>\$ 10,527</b>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Municipal Purchase Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Investment earnings	\$ -	\$ 14,600	\$ 13,227	\$ (1,373)
Other revenues	-	5,618	5,618	-
Total revenues	-	20,218	18,845	(1,373)
<b>Expenditures</b>				
Community development	-	6,669	5,739	(930)
Total expenditures	-	6,669	5,739	(930)
Revenues (under) expenditures	-	13,549	13,106	(443)
<b>Other financing sources</b>				
Transfers in	-	120,000	120,000	-
Net changes in fund balance	-	133,549	133,106	(443)
Fund balance, beginning of year	213,574	213,574	213,574	-
<b>Fund balance, end of year</b>	<b>\$ 213,574</b>	<b>\$ 347,123</b>	<b>\$ 346,680</b>	<b>\$ (443)</b>

**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Economic Development Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Investment earnings	\$ 700	\$ 3,000	\$ 2,086	\$ (914)
<b>Expenditures</b>				
Community development	<u>196,576</u>	<u>197,965</u>	<u>190,562</u>	<u>(7,403)</u>
Revenues (under) expenditures	(180,876)	(194,965)	(188,476)	6,489
<b>Other financing sources</b>				
Transfers in	<u>179,000</u>	<u>189,000</u>	<u>189,000</u>	<u>-</u>
Net changes in fund balance	(1,876)	(5,965)	524	6,489
Fund balance, beginning of year	<u>6,314</u>	<u>6,314</u>	<u>6,314</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 4,438</u></u>	<u><u>\$ 349</u></u>	<u><u>\$ 6,838</u></u>	<u><u>\$ 6,489</u></u>



**CITY OF TECUMSEH, MICHIGAN**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**PA-48 Fund**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 29,000	\$ 26,000	\$ 25,959	\$ (41)
Investment earnings	300	300	156	(144)
Total revenues	29,300	26,300	26,115	(185)
<b>Other financing sources</b>				
Transfers out	(30,000)	(30,000)	(30,000)	-
Net changes in fund balance	(700)	(3,700)	(3,885)	(185)
Fund balance, beginning of year	5,772	5,772	5,772	-
<b>Fund balance, end of year</b>	<b>\$ 5,072</b>	<b>\$ 2,072</b>	<b>\$ 1,887</b>	<b>\$ (185)</b>

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Civic Auditorium**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>			<b>Actual Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 22,000	\$ 3,800	\$ 6,800	\$ 3,000
Charges for services	237,900	171,523	173,833	2,310
Investment earnings (loss)	10,500	5,103	(33,162)	(38,265)
Contributions	57,000	42,191	41,642	(549)
	<u>327,400</u>	<u>222,617</u>	<u>189,113</u>	<u>(33,504)</u>
<b>Expenditures</b>				
Civic auditorium:				
Salaries, wages and stipends	173,958	164,000	164,409	409
Fringe benefits	69,600	56,396	55,753	(643)
Office expenditures	21,300	17,277	17,687	410
Contractual services	133,900	116,273	117,268	995
Repair and maintenance	22,200	10,135	11,619	1,484
Utilities	40,000	45,000	44,741	(259)
Other expenditures	28,232	32,544	32,876	332
	<u>489,190</u>	<u>441,625</u>	<u>444,353</u>	<u>2,728</u>
Revenues under expenditures	(161,790)	(219,008)	(255,240)	(36,232)
<b>Other financing sources</b>				
Transfers in	58,343	90,343	68,382	(21,961)
Net changes in fund balance	(103,447)	(128,665)	(186,858)	(58,193)
Fund balance, beginning of year	<u>367,718</u>	<u>367,718</u>	<u>367,718</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 264,271</u>	<u>\$ 239,053</u>	<u>\$ 180,860</u>	<u>\$ (58,193)</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2007**

	<u>Current Tax</u>	<u>Delinquent Tax</u>	<u>Police Officers Emergency</u>	<u>Memorial Day Parade</u>	<u>Total</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,510	\$ -	\$ 1,714	\$ 3,301	\$ 7,525
Delinquent taxes receivable	<u>-</u>	<u>144,963</u>	<u>-</u>	<u>-</u>	<u>144,963</u>
Total assets	<u><u>\$ 2,510</u></u>	<u><u>\$ 144,963</u></u>	<u><u>\$ 1,714</u></u>	<u><u>\$ 3,301</u></u>	<u><u>\$ 152,488</u></u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 33,338	\$ -	\$ 393	\$ 33,731
Due to other governments	<u>2,510</u>	<u>111,625</u>	<u>1,714</u>	<u>2,908</u>	<u>118,757</u>
Total liabilities	<u><u>\$ 2,510</u></u>	<u><u>\$ 144,963</u></u>	<u><u>\$ 1,714</u></u>	<u><u>\$ 3,301</u></u>	<u><u>\$ 152,488</u></u>

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Current Tax</u></b>				
<b>Assets</b>				
Cash	\$ 3,650	\$ 34,937,641	\$ 34,938,781	\$ 2,510
<b>Liabilities</b>				
Accounts payable	\$ 5	\$ 4,207,717	\$ 4,207,722	\$ -
Due to other governments	3,645	9,591,077	9,592,212	2,510
Total liabilities	<u>\$ 3,650</u>	<u>\$ 13,798,794</u>	<u>\$ 13,799,934</u>	<u>\$ 2,510</u>
<b><u>Delinquent Tax</u></b>				
<b>Assets</b>				
Cash	\$ 60	\$ 46,765	\$ 46,825	\$ -
Delinquent taxes receivable	492,143	26,427	373,607	144,963
Total assets	<u>\$ 492,203</u>	<u>\$ 73,192</u>	<u>\$ 420,432</u>	<u>\$ 144,963</u>
<b>Liabilities</b>				
Accounts payable	\$ 128,599	\$ 8,068	\$ 103,329	\$ 33,338
Due to other governments	363,604	26,439	278,418	111,625
Total liabilities	<u>\$ 492,203</u>	<u>\$ 34,507</u>	<u>\$ 381,747</u>	<u>\$ 144,963</u>
<b><u>Police Officers Emergency</u></b>				
<b>Assets</b>				
Cash	\$ 1,667	\$ 47	\$ -	\$ 1,714
<b>Liabilities</b>				
Due to other governments	<u>\$ 1,667</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 1,714</u>

Continued...

**CITY OF TECUMSEH, MICHIGAN**  
**Combining Statement of Changes in Assets and Liabilities (Concluded)**  
**Agency Funds**  
**For the Year Ended June 30, 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Memorial Day Parade</u></b>				
<b>Assets</b>				
Cash	\$ 2,182	\$ 10,474	\$ 9,355	\$ 3,301
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 5,046	\$ 4,653	\$ 393
Due to other governments	2,182	5,428	4,702	2,908
	<u>\$ 2,182</u>	<u>\$ 10,474</u>	<u>\$ 9,355</u>	<u>\$ 3,301</u>
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash	\$ 7,559	\$ 34,994,927	\$ 34,994,961	\$ 7,525
Delinquent taxes receivable	492,143	26,427	373,607	144,963
Total assets	<u>\$ 499,702</u>	<u>\$ 35,021,354</u>	<u>\$ 35,368,568</u>	<u>\$ 152,488</u>
<b>Liabilities</b>				
Accounts payable	\$ 128,604	\$ 4,220,831	\$ 4,315,704	\$ 33,731
Due to other governments	371,098	9,622,991	9,875,332	118,757
Total liabilities	<u>\$ 499,702</u>	<u>\$ 13,843,822</u>	<u>\$ 14,191,036</u>	<u>\$ 152,488</u>

## DISCRETELY PRESENTED COMPONENT UNIT

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**Downtown Development Authority Component Unit**  
**June 30, 2007**

	<u>Special Revenue Operating Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 129,143	\$ 2,419	\$ 131,562	\$ -	\$ 131,562
Unamortized bond issuance costs	-	-	-	48,608	48,608
Capital assets, net	-	-	-	56,000	56,000
<b>Total assets</b>	<u>\$ 129,143</u>	<u>\$ 2,419</u>	<u>\$ 131,562</u>	<u>104,608</u>	<u>236,170</u>
<b>Liabilities</b>					
Accounts payable / accrued liabilities	\$ 11,105	\$ -	\$ 11,105	-	11,105
Accrued interest payable	-	-	-	5,332	5,332
Unamortized bond premium	-	-	-	11,400	11,400
Long-term liabilities:					
Due within one year	-	-	-	90,000	90,000
Due in more than one year	-	-	-	1,240,000	1,240,000
<b>Total liabilities</b>	11,105	-	11,105	1,346,732	1,357,837
<b>Fund balances / net assets</b>					
Unreserved, undesignated	118,038	2,419	120,457	(120,457)	-
<b>Total liabilities and fund balances</b>	<u>\$ 129,143</u>	<u>\$ 2,419</u>	<u>\$ 131,562</u>		
Net assets:					
Invested in capital assets				56,000	56,000
Restricted for debt service				2,419	2,419
Unrestricted (deficit)				(1,180,086)	(1,180,086)
<b>Total net assets (deficit)</b>				<u>\$ (1,121,667)</u>	<u>\$ (1,121,667)</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Downtown Development Authority Component Unit**  
**For the Year Ended June 30, 2007**

	<u>Special Revenue Operating Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses</b>					
Community development	\$ 63,911	\$ -	\$ 63,911	\$ 3,472	\$ 67,383
Debt service:					
Principal	-	80,000	80,000	(80,000)	-
Interest and fiscal charges	-	67,453	67,453	(266)	67,187
	<u>63,911</u>	<u>147,453</u>	<u>211,364</u>	<u>(76,794)</u>	<u>134,570</u>
<b>General revenues</b>					
Property taxes	233,173	-	233,173	-	233,173
Investment earnings	7,217	66	7,283	815	8,098
	<u>240,390</u>	<u>66</u>	<u>240,456</u>	<u>815</u>	<u>241,271</u>
Excess of general revenues over (under) expenditures/expenses	176,479	(147,387)	29,092	77,609	106,701
<b>Other financing sources (uses)</b>					
Transfers in (out)	(147,453)	147,453	-	-	-
Net changes in fund balances	29,026	66	29,092	(29,092)	-
Change in net assets	-	-	-	106,701	106,701
Fund balance/net assets (deficit), beginning of year	89,012	2,353	91,365	(1,319,733)	(1,228,368)
<b>Fund balance/net assets (deficit), end of year</b>	<u>\$ 118,038</u>	<u>\$ 2,419</u>	<u>\$ 120,457</u>	<u>\$ (1,242,124)</u>	<u>\$ (1,121,667)</u>



# STATISTICAL SECTION

## Statistical Section

This part of the City of Tecumseh's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	75-82
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	83-86
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	87-90
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	91-92
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	93-95

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2001; schedules presenting government-wide information include information beginning in that year.

## **Financial Trends**

**CITY OF TECUMSEH, MICHIGAN**  
**Net Assets by Component**  
**Last Seven Fiscal Years (A)**  
*(accrual basis of accounting)*

	2001	2002	2003	2004	2005	2006	2007
<b>Governmental activities</b>							
Invested in capital assets, net							
of related debt	\$ 10,936,514	\$ 11,790,604	\$ 12,828,065	\$ 14,575,225	\$ 14,344,766	\$ 15,610,207	\$ 15,811,861
Restricted	3,564,385	4,007,336	3,283,400	3,214,150	4,102,632	2,747,827	2,623,049
Unrestricted	604,646	594,724	553,666	1,023,204	(736,355)	(402,533)	(129,668)
Total governmental activities net assets	<u>\$ 15,105,545</u>	<u>\$ 16,392,664</u>	<u>\$ 16,665,131</u>	<u>\$ 18,812,579</u>	<u>\$ 17,711,043</u>	<u>\$ 17,955,501</u>	<u>\$ 18,305,242</u>
<b>Business-type activities</b>							
Invested in capital assets, net							
of related debt	\$ 10,248,279	\$ 10,197,348	\$ 9,993,100	\$ 10,276,538	\$ 11,043,768	\$ 11,079,267	\$ 11,016,909
Restricted	1,154,778	1,233,958	1,297,957	1,356,359	1,129,549	1,318,870	1,540,395
Unrestricted	912,675	836,603	753,033	502,389	467,147	627,398	370,372
Total business-type activities net assets	<u>\$ 12,315,732</u>	<u>\$ 12,267,909</u>	<u>\$ 12,044,090</u>	<u>\$ 12,135,286</u>	<u>\$ 12,640,464</u>	<u>\$ 13,025,535</u>	<u>\$ 12,927,676</u>
<b>Primary government</b>							
Invested in capital assets, net							
of related debt	\$ 21,184,793	\$ 21,987,952	\$ 22,821,165	\$ 24,851,763	\$ 25,388,534	\$ 26,689,474	\$ 26,828,770
Restricted	4,719,163	5,241,294	4,581,357	4,570,509	5,232,181	4,066,697	4,163,444
Unrestricted	1,517,321	1,431,327	1,306,699	1,525,593	(269,208)	224,865	240,704
Total primary government net assets	<u>\$ 27,421,277</u>	<u>\$ 28,660,573</u>	<u>\$ 28,709,221</u>	<u>\$ 30,947,865</u>	<u>\$ 30,351,507</u>	<u>\$ 30,981,036</u>	<u>\$ 31,232,918</u>

(A) - City of Tecumseh implemented GASB Statement No. 34 as of and for the year ended June 30, 2001. Accordingly, data prior to 2001 is not available.

Source: City of Tecumseh Finance Department

## CITY OF TECUMSEH, MICHIGAN

### Changes in Net Assets Last Seven Fiscal Years (A) (accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007
<b>Expenses</b>							
Governmental activities:							
General government	\$ 1,737,172	\$ 1,563,111	\$ 1,968,749	\$ 1,902,129	\$ 1,929,198	\$ 1,575,053	\$ 1,624,898
Public safety	1,762,963	1,844,880	2,026,623	1,959,801	2,115,183	2,163,553	2,206,194
Public works	819,019	1,071,418	968,094	879,861	996,158	996,024	1,082,985
Parks and recreation	346,490	938,994	532,872	509,510	499,599	661,173	751,336
Civic auditorium	329,252	377,877	506,451	554,277	632,450	555,002	501,271
Community development	146,956	145,892	169,014	200,407	2,240,235	522,402	531,668
Interest on long-term debt	61,304	49,387	55,084	32,422	81,822	125,960	113,637
Total governmental activities expenses	5,203,156	5,991,559	6,226,887	6,038,407	8,494,645	6,599,167	6,811,989
Business-type activities:							
Wastewater	935,352	1,006,304	1,026,630	1,063,244	1,043,927	1,054,516	1,166,237
Water	540,488	589,486	590,288	617,593	630,347	654,754	630,444
Total business-type activities expenses	1,475,840	1,595,790	1,616,918	1,680,837	1,674,274	1,709,270	1,796,681
Total primary government expenses	6,678,996	7,587,349	7,843,805	7,719,244	10,168,919	8,308,437	8,608,670
<b>Program revenues</b>							
Governmental activities:							
Charges for services:							
General government	378,061	399,882	371,472	422,343	538,265	319,857	400,253
Public safety	79,337	80,935	87,185	94,445	94,584	102,961	117,064
Public works	-	-	-	-	-	-	4,396
Parks and recreation	111,297	101,667	84,429	88,576	98,947	112,605	115,235
Civic auditorium	64,801	51,935	79,967	101,079	100,626	49,006	120,333
Community development	-	-	-	-	-	206,686	120,398
Operating grants and contributions	1,182,722	1,109,205	711,872	1,297,695	635,127	684,781	801,648
Capital grants and contributions	34,044	947,286	482,508	1,415,418	436,220	475,034	380,302
Total governmental activities program revenues	1,850,262	2,690,910	1,817,433	3,419,556	1,903,769	1,950,930	2,059,629
Business-type activities:							
Charges for services:							
Wastewater	731,743	735,516	756,367	673,296	841,426	986,383	980,262
Water	486,868	496,814	520,098	493,398	626,143	629,868	568,008
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	172,037	352,418	176,250	658,979	975,000	96,678	49,028
Total business-type activities program revenues	1,390,648	1,584,748	1,452,715	1,825,673	2,442,569	1,712,929	1,597,298
Total primary government program revenues	3,240,910	4,275,658	3,270,148	5,245,229	4,346,338	3,663,859	3,656,927
<b>Net (Expense)/Revenue</b>							
Government activities	(3,352,894)	(3,300,649)	(4,409,454)	(2,618,851)	(6,590,876)	(4,648,237)	(4,752,360)
Business-type activities	(85,192)	(11,042)	(164,203)	144,836	768,295	3,659	(199,383)
Total primary government net expense	(3,438,086)	(3,311,691)	(4,573,657)	(2,474,015)	(5,822,581)	(4,644,578)	(4,951,743)

Continued...

**CITY OF TECUMSEH**  
**Changes in Net Assets (Concluded)**  
**Last Seven Fiscal Years (A)**  
*(accrual basis of accounting)*

	2001	2002	2003	2004	2005	2006	2007
<b>General Revenues</b>							
Governmental activities:							
Property taxes	\$ 3,092,865	\$ 3,316,311	\$ 3,578,655	\$ 3,730,787	\$ 3,780,738	\$ 3,875,075	\$ 4,056,239
Unrestricted grants and contributions	1,032,572	1,058,907	930,877	900,596	881,177	824,403	815,190
Investment earnings	190,020	77,283	42,496	19,223	66,782	183,542	214,897
Gain on sale of capital assets	-	30,880	25,335	22,950	749,592	-	-
Contributions to permanent funds	13,188	15,387	19,213	24,747	11,050	9,675	15,775
Transfers	99,000	89,000	85,345	67,996	-	-	-
Total governmental activities	4,427,645	4,587,768	4,681,921	4,766,299	5,489,339	4,892,695	5,102,101
Business-type activities:							
Investment earnings	122,594	52,219	25,729	14,356	36,883	81,412	101,524
Transfers	(99,000)	(89,000)	(85,345)	(67,996)	-	-	-
Total business-type activities	23,594	(36,781)	(59,616)	(53,640)	36,883	81,412	101,524
Total primary government	4,451,239	4,550,987	4,622,305	4,712,659	5,526,222	4,974,107	5,203,625
<b>Change in Net Assets</b>							
Government activities	1,074,751	1,287,119	272,467	2,147,448	(1,101,537)	244,458	349,741
Business-type activities	(61,598)	(47,823)	(223,819)	91,196	805,178	85,071	(97,859)
Total primary government	\$ 1,013,153	\$ 1,239,296	\$ 48,648	\$ 2,238,644	\$ (296,359)	\$ 329,529	\$ 251,882

(A) - City of Tecumseh implemented GASB Statement No. 34 as of and for the year ended June 30, 2001. Accordingly, data prior to 2001 is not available.

Source: City of Tecumseh Finance Department

**CITY OF TECUMSEH, MICHIGAN**  
**Fund Balances - Governmental Funds**  
**Last Seven Fiscal Years (A)**  
*(modified accrual basis of accounting)*

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Fund</b>							
Reserved	\$ 6,748	\$ 439,020	\$ 112,116	\$ 64,138	\$ 84,369	\$ 263,665	\$ 339,310
Unreserved	<u>1,205,173</u>	<u>643,085</u>	<u>576,652</u>	<u>1,073,024</u>	<u>1,115,671</u>	<u>892,025</u>	<u>889,241</u>
Total general fund	<u><u>\$ 1,211,921</u></u>	<u><u>\$ 1,082,105</u></u>	<u><u>\$ 688,768</u></u>	<u><u>\$ 1,137,162</u></u>	<u><u>\$ 1,200,040</u></u>	<u><u>\$ 1,155,690</u></u>	<u><u>\$ 1,228,551</u></u>
<b>All Other Governmental Funds</b>							
Reserved	\$ 1,520,754	\$ 1,629,163	\$ 1,669,903	\$ 2,139,814	\$ 1,658,587	\$ 1,638,011	\$ 1,655,730
Unreserved, reported in:							
Special revenue funds	1,957,681	1,771,885	1,084,375	833,239	1,280,489	1,251,109	1,177,290
Debt service funds	88,354	77,039	72,279	61,460	124,453	48,771	10,100
Capital projects funds	92,823	394,380	357,813	148,727	1,383,922	511,063	612,164
Permanent fund	<u>116,989</u>	<u>125,614</u>	<u>127,784</u>	<u>70,081</u>	<u>91,748</u>	<u>86,890</u>	<u>110,503</u>
Total all other governmental funds	<u><u>\$ 3,776,601</u></u>	<u><u>\$ 3,998,081</u></u>	<u><u>\$ 3,312,154</u></u>	<u><u>\$ 3,253,321</u></u>	<u><u>\$ 4,539,199</u></u>	<u><u>\$ 3,535,844</u></u>	<u><u>\$ 3,565,787</u></u>

(A) - City of Tecumseh implemented GASB Statement No. 34 as of and for the year ended June 30, 2001. Accordingly, data prior to 2001 is not available.

Source: City of Tecumseh Finance Department

**CITY OF TECUMSEH, MICHIGAN**  
**Changes in Fund Balances - Governmental Funds (1)**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	1998	1999	2000	2001	2002
<b>Revenues</b>					
Taxes and special assessments	\$ 2,623,615	\$ 2,871,520	\$ 2,957,394	\$ 3,108,053	\$ 3,390,541
Licenses and permits	124,765	147,679	144,150	208,801	207,669
Intergovernmental	1,385,112	1,478,894	1,468,659	1,615,889	1,842,030
Charges for services	219,209	238,295	267,764	372,842	562,692
Fines and forfeits	30,277	32,791	38,981	36,837	33,357
Investment earnings	138,537	145,405	162,193	607,935	364,988
Contributions and other revenues	104,391	201,377	168,611	197,796	594,781
Total revenues	4,625,906	5,115,961	5,207,752	6,148,153	6,996,058
<b>Expenditures</b>					
General government	1,512,182	1,717,127	1,918,618	1,728,345	1,892,067
Public safety	1,379,051	1,529,975	1,549,888	1,664,314	1,991,089
Public works	831,727	1,138,863	1,085,173	1,151,117	1,319,727
Parks and recreation	431,561	408,578	416,066	481,635	895,397
Civic auditorium (2)	-	-	-	282,478	409,440
Community development	97,834	115,951	128,966	144,582	152,964
Debt service:					
Principal	155,000	195,000	235,000	255,000	280,000
Interest and fiscal charges	108,029	87,435	76,960	64,888	52,710
Total expenditures	4,515,384	5,192,929	5,410,671	5,772,359	6,993,394
Revenues over (under) expenditures	110,522	(76,968)	(202,919)	375,794	2,664
<b>Other financing sources (uses)</b>					
Transfers in	648,400	637,126	802,321	846,635	990,000
Transfers from component unit	37,600	37,600	55,388	-	-
Transfers out	(637,347)	(545,803)	(674,321)	(747,635)	(901,000)
Long-term debt issued	-	-	-	-	-
Proceeds from sale of capital assets	23,100	-	-	149,855	-
Total other financing sources (uses)	71,753	128,923	183,388	248,855	89,000
<b>Net changes in fund balances</b>	<u>\$ 182,275</u>	<u>\$ 51,955</u>	<u>\$ (19,531)</u>	<u>\$ 624,649</u>	<u>\$ 91,664</u>
Debt services as a percentage of noncapital expenditures	<u>5.83%</u>	<u>5.44%</u>	<u>5.77%</u>	<u>5.54%</u>	<u>4.76%</u>

(1) Includes general, special revenue and debt service funds through fiscal 2000; includes all governmental funds thereafter.

(2) Beginning in fiscal 2001, the Civic Auditorium fund was reclassified from an enterprise to special revenue fund.

Source: City of Tecumseh Finance Department



**Schedule 4**  
**UNAUDITED**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$ 3,615,385	\$ 3,730,787	\$ 3,780,738	\$ 3,895,428	\$ 4,098,447
171,027	194,289	213,289	244,834	210,499
1,527,797	1,543,543	1,496,708	1,467,171	1,498,842
463,016	510,974	509,798	567,748	611,019
36,482	40,445	36,584	42,961	50,874
37,694	76,644	77,953	97,534	296,598
179,302	681,979	118,679	199,169	357,161
<u>6,030,703</u>	<u>6,778,661</u>	<u>6,233,749</u>	<u>6,514,845</u>	<u>7,123,440</u>
1,952,095	1,848,328	1,841,889	1,484,463	1,535,475
2,217,056	1,871,376	1,940,903	2,039,417	2,332,862
1,512,683	1,057,214	941,134	1,004,618	1,265,558
498,390	542,412	502,449	671,670	637,344
481,801	570,952	580,206	511,491	444,353
168,393	170,177	2,349,616	1,500,105	466,477
355,400	360,400	180,400	253,419	221,873
58,740	36,237	66,637	122,367	116,694
<u>7,244,558</u>	<u>6,457,096</u>	<u>8,403,234</u>	<u>7,587,550</u>	<u>7,020,636</u>
<u>(1,213,855)</u>	<u>321,565</u>	<u>(2,169,485)</u>	<u>(1,072,705)</u>	<u>102,804</u>
1,051,760	754,707	2,542,859	1,470,816	1,447,420
-	-	-	-	-
(966,415)	(686,711)	(2,542,859)	(1,470,816)	(1,447,420)
-	-	2,620,901	-	-
49,246	-	897,340	25,000	-
<u>134,591</u>	<u>67,996</u>	<u>3,518,241</u>	<u>25,000</u>	<u>-</u>
<u>\$ (1,079,264)</u>	<u>\$ 389,561</u>	<u>\$ 1,348,756</u>	<u>\$ (1,047,705)</u>	<u>\$ 102,804</u>
<u>5.72%</u>	<u>6.14%</u>	<u>2.94%</u>	<u>4.95%</u>	<u>4.82%</u>

**CITY OF TECUMSEH, MICHIGAN**  
**Changes in Fund Balances - General Fund**  
**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

	1998	1999	2000	2001	2002
<b>Revenues</b>					
Taxes and special assessments	\$ 2,417,518	\$ 2,649,826	\$ 2,738,565	\$ 2,891,385	\$ 3,160,381
Licenses and permits	124,765	147,679	144,150	208,801	207,669
Intergovernmental	914,657	955,299	955,317	1,058,594	1,079,532
Charges for services	219,209	238,295	267,764	290,853	491,370
Fines and forfeits	30,277	32,791	38,981	36,837	33,357
Investment earnings	120,314	127,302	136,742	183,616	74,170
Contributions	38,500	148,690	117,223	20,841	557,934
Other revenues	45,846	20,977	32,358	21,560	23,445
Total revenues	3,911,086	4,320,859	4,431,100	4,712,487	5,627,858
<b>Expenditures</b>					
Current:					
General government	1,512,182	1,717,127	1,918,618	1,728,345	1,892,067
Public safety	1,379,051	1,529,975	1,549,888	1,664,314	1,991,089
Public works	24,039	113,811	355	27,961	150,121
Parks and recreation	431,561	408,578	416,066	481,635	895,397
Debt Service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,346,833	3,769,491	3,884,927	3,902,255	4,928,674
Revenues over (under) expenditures	564,253	551,368	546,173	810,232	699,184
<b>Other financing sources (uses)</b>					
Transfers in	35,304	38,486	36,000	36,000	36,000
Transfers out	(561,729)	(485,163)	(674,321)	(711,635)	(865,000)
Issuance of capital lease	-	-	-	-	-
Proceeds from sale of capital assets	23,100	-	-	149,855	-
Total other financing sources (uses)	(503,325)	(446,677)	(638,321)	(525,780)	(829,000)
<b>Net changes in fund balances</b>	<u>\$ 60,928</u>	<u>\$ 104,691</u>	<u>\$ (92,148)</u>	<u>\$ 284,452</u>	<u>\$ (129,816)</u>

Source: City of Tecumseh Finance Department

**Schedule 5**  
**UNAUDITED**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
\$ 3,366,139	\$ 3,478,190	\$ 3,641,641	\$ 3,762,383	\$ 3,978,434
171,027	194,289	213,289	94,631	121,823
951,777	914,333	862,887	844,411	836,584
327,336	354,148	381,122	357,116	395,307
36,482	40,445	36,584	42,961	50,874
45,235	27,108	72,524	138,395	181,584
103,784	113,417	42,878	156,735	290,156
21,346	34,138	56,447	23,350	15,239
<u>5,023,126</u>	<u>5,156,068</u>	<u>5,307,372</u>	<u>5,419,982</u>	<u>5,870,001</u>
1,952,095	1,848,328	1,841,889	1,484,463	1,514,871
2,217,056	1,871,376	1,894,503	2,020,567	2,078,109
107,859	-	46,483	6,220	174,522
498,390	542,412	502,449	564,985	555,465
55,400	55,400	55,400	55,400	55,400
18,465	9,435	15,243	101,313	95,430
<u>4,849,265</u>	<u>4,326,951</u>	<u>4,355,967</u>	<u>4,232,948</u>	<u>4,473,797</u>
<u>173,861</u>	<u>829,117</u>	<u>951,405</u>	<u>1,187,034</u>	<u>1,396,204</u>
140,328	125,027	99,000	65,191	-
(756,772)	(505,750)	(1,890,768)	(1,321,575)	(1,323,343)
-	-	5,901	-	-
49,246	-	897,340	25,000	-
<u>(567,198)</u>	<u>(380,723)</u>	<u>(888,527)</u>	<u>(1,231,384)</u>	<u>(1,323,343)</u>
<u>\$ (393,337)</u>	<u>\$ 448,394</u>	<u>\$ 62,878</u>	<u>\$ (44,350)</u>	<u>\$ 72,861</u>

## **Revenue Capacity**

**CITY OF TECUMSEH, MICHIGAN**  
**Taxable and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**

As of December 31,	FYE June 30,	Real Property (1)		Personal Property (1)		Total	
		Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value
2005	2007	\$ 256,179,277	\$ 512,358,554	\$ 32,867,900	\$ 65,735,800	\$ 289,047,177	\$ 578,094,354
2004	2006	241,516,924	483,033,848	34,521,900	69,043,800	276,038,824	552,077,648
2003	2005	233,506,933	467,013,866	32,207,900	64,415,800	265,714,833	531,429,666
2002	2004	222,713,306	445,426,612	33,086,448	66,172,896	255,799,754	511,599,508
2001	2003	211,902,460	423,804,920	31,026,231	62,052,462	242,928,691	485,857,382
2000	2002	198,823,574	397,647,148	31,962,803	63,925,606	230,786,377	461,572,754
1999	2001	184,928,214	369,856,428	31,256,313	62,512,626	216,184,527	432,369,054
1998	2000	173,403,063	346,806,126	34,652,920	69,305,840	208,055,983	416,111,966
1997	1999	162,938,094	325,876,188	39,362,945	78,725,890	202,301,039	404,602,078
1996	1998	161,653,400	323,306,800	42,300,600	84,601,200	203,954,000	407,908,000

(1) Includes properties subject to Industrial Facility Tax exemptions.

**CITY OF TECUMSEH, MICHIGAN**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
*(rate per \$1,000 of taxable value)*

Fiscal Year Ended June 30,	City	Tecumseh Public Schools	State Education Tax	Lenawee		Tecumseh District Library	Totals	
				Intermediate School District	County		Homestead	Non- Homestead
2007	14.8246	25.2000	6.0000	7.2900	5.6270	1.1472	42.0888	60.0888
2006	14.8966	25.2000	6.0000	7.3409	5.6663	1.1472	42.2510	60.2510
2005	14.8450	25.1567	6.0000	7.4102	5.7145	1.1472	42.3169	60.2736
2004	15.5300	23.2906	5.0000	7.4867	5.7730	1.1500	42.1397	58.2303
2003	15.5600	23.2907	6.0000	7.5465	5.8191	-	42.1256	58.2163
2002	15.5600	25.0290	6.0000	7.6449	5.6165	-	42.0214	59.8504
2001	15.5600	23.3290	6.0000	7.7073	5.6420	-	40.4093	58.2383
2000	15.5600	23.3290	6.0000	6.6073	5.6555	-	39.3228	57.1518
1999	15.5600	19.1000	6.0000	6.6849	5.6178	-	34.9627	52.9627
1998	15.6500	19.1000	6.0000	6.6949	5.7385	-	35.1834	53.1834

SOURCES: Annual Apportionment Report of Lenawee County

# CITY OF TECUMSEH, MICHIGAN

## Principal Property Taxpayers

### Current Year and Nine Years Ago

Taxpayer	2007			1998		
	(1) Taxable Valuation	Rank	% of Total City Taxable Value	(1) Taxable Valuation	Rank	% of Total City Taxable Value
Lenawee Stamping Corporation	\$ 18,692,900	1	6.77%	\$ 22,673,540	1	11.12%
Tecumseh Products Company	8,142,789	2	2.95%	20,750,604	2	10.17%
Consumers Energy Company	2,752,829	3	1.00%	2,715,300	3	1.33%
United Bank and Trust	2,439,980	4	0.88%	1,833,473	6	0.90%
Tecumseh Plaza (SETO)	2,299,000	5	0.83%	2,028,192	5	0.99%
Ervin Industries	2,157,626	6	0.78%	1,704,424	7	0.84%
Donald J. Martin Trust	1,830,238	7	0.66%	-	-	-
Cambrian of Tecumseh, LLC	1,666,288	8	0.60%	-	-	-
Tecumseh Place Apartments	1,086,966	9	0.39%	2,034,511	4	1.00%
Bonner Hills Villas	883,455	10	0.32%	-	-	-
Tecumseh Corrugated Box	-	-	-	1,363,100	8	0.67%
Faraday, Inc.	-	-	-	1,217,200	9	0.60%
George Murphy	-	-	-	871,494	10	0.43%
	<u>\$ 41,952,071</u>		<u>15.20%</u>	<u>\$ 57,191,838</u>		<u>28.04%</u>

(1) Includes ad valorem and Industrials Facilities Tax property (at full value).

SOURCE: Assessor and Treasurer, City of Tecumseh

**CITY OF TECUMSEH, MICHIGAN**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(1) Fiscal Year Ended June 30,	(2) Taxes Levied for the Fiscal Year	Collected within the		(3) Delinquent Collections	Total Collections to Date	
		Fiscal Year of the Levy			Amount	% of Levy
		Amount	% of Levy			
2007	\$ 4,159,786	\$ 4,028,312	96.8%	\$ 128,795	\$ 4,157,107	99.9%
2006	3,985,374	3,857,201	96.8%	104,780	3,961,981	99.4%
2005	3,828,177	3,725,289	97.3%	94,875	3,820,164	99.8%
2004	3,830,362	3,733,713	97.5%	85,249	3,818,962	99.7%
2003	3,676,747	3,579,371	97.4%	81,419	3,660,790	99.6%
2002	3,400,837	3,242,042	95.3%	75,641	3,317,683	97.6%
2001	3,163,481	3,070,613	97.1%	75,506	3,146,119	99.5%
2000	3,016,442	2,944,504	97.6%	69,585	3,014,089	99.9%
1999	2,877,550	2,780,701	96.6%	95,900	2,876,601	100.0%
1998	2,707,798	2,625,782	97.0%	80,964	2,706,746	100.0%

(1) Property taxes are levied July 1 of the current fiscal year based on taxable property values as of the preceding December 31. Unpaid property taxes become delinquent as of September 1 of the current fiscal year. The City's delinquent real property taxes are purchased by the Lenawee County Delinquent Tax Revolving Fund. Uncollected personal property taxes must be collected by the City Treasurer.

(2) Includes Industrial Facility Tax.

(3) Includes settlement from Lenawee County Delinquent Tax Revolving for purchase of delinquent real property taxes.



## **Debt Capacity**

**CITY OF TECUMSEH, MICHIGAN**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Years**

Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
2007	\$ 455,000	\$ 4,368	\$ 450,632	0.16%	\$ 50.84
2006	620,000	48,771	571,229	0.21%	66.62
2005	755,000	124,453	630,547	0.24%	73.54
2004	415,000	61,460	353,540	0.14%	41.23
2003	720,000	72,279	647,721	0.27%	75.54
2002	1,020,000	77,039	942,961	0.41%	109.98
2001	1,300,000	88,354	1,211,646	0.56%	141.32
2000	1,555,000	86,829	1,468,171	0.71%	175.83
1999	1,790,000	82,359	1,707,641	0.84%	204.51
1998	1,985,000	46,058	1,938,942	0.95%	241.40

Source: City of Tecumseh Finance Department

**CITY OF TECUMSEH, MICHIGAN**  
**Computation of Net Direct and Overlapping Debt**  
**As of June 30, 2007**

	<b>Gross Amount Outstanding</b>	<b>Self-Supporting or Paid by Benefited Entity</b>	<b>Net Amount Outstanding</b>
<b>Direct debt</b>			
General obligation bonds	\$ 455,000	\$ -	\$ 455,000
General obligation bonds - DDA	1,330,000	-	1,330,000
Revenue bonds	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Net direct debt	<u>\$ 1,850,000</u>	<u>\$ 65,000</u>	<u>1,785,000</u>
<b>Overlapping debt</b>			
Lenawee County (9.3%)			1,081,236
Tecumseh Public Schools (45.3%)			<u>22,657,885</u>
Net overlapping debt			<u>23,739,121</u>
<b>Net direct and overlapping debt</b>			<u>\$ 25,524,121</u>

Source: 2006 Lenawee County Apportionment Report and L-4029.

**CITY OF TECUMSEH, MICHIGAN**  
**Legal Debt Margin**  
**Last Ten Years**

**Legal Debt Margin Calculation for Fiscal 2007**

Assessed value	\$ 289,047,177
Debt limit (10% of assessed value)	\$ 28,904,718
Less debt applicable to limit - general obligation bonds	(1,785,000)
Add amounts available for repayment of general obligation bonds	4,368
<b>Legal debt margin</b>	<b>\$ 27,124,086</b>

	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
2007	\$ 28,904,718	\$ 1,780,632	\$ 27,124,086	6.16%
2006	27,498,162	1,981,229	25,516,933	7.20%
2005	26,571,483	2,110,547	24,460,936	7.94%
2004	25,579,975	1,887,721	23,692,254	7.38%
2003	24,292,869	2,247,721	22,045,148	9.25%
2002	23,078,638	2,597,961	20,480,677	11.26%
2001	21,618,453	1,866,646	19,751,807	8.63%
2000	20,805,598	2,163,171	18,642,427	10.40%
1999	20,230,104	2,437,561	17,792,543	12.05%
1998	20,395,400	2,703,862	17,691,538	13.26%

Source: City of Tecumseh Treasurer

**CITY OF TECUMSEH, MICHIGAN**  
**Revenue Bond Coverage - Water Fund**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service Requirement</u>	<u>Coverage</u>
2007	\$ 617,745	\$ 545,181	\$ 72,564	\$ 66,900	1.08
2006	671,129	562,543	108,586	64,760	1.68
2005	644,930	540,390	104,540	62,360	1.68
2004	587,524	539,095	48,429	64,535	0.75
2003	621,406	518,899	102,507	61,853	1.66
2002	630,080	524,184	105,896	63,990	1.65
2001	636,214	469,035	167,179	61,115	2.74
2000	650,330	430,745	219,585	58,433	3.76
1999	636,421	456,408	180,013	59,835	3.01
1998	633,748	441,075	192,673	56,373	3.42

(1) Includes investment income.

(2) Excludes depreciation expense.

## **Demographic and Economic Information**

**CITY OF TECUMSEH, MICHIGAN**  
**Demographic and Economic Statistics**  
**Last Ten Years**

<u>Year</u>	<u>Population</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	8,863 (5)	3,405	6.9%
2005	8,574 (4)	3,451	6.9%
2004	8,574 (4)	3,430	6.5%
2003	8,574 (4)	3,460	6.6%
2002	8,574 (4)	3,413	5.9%
2001	8,574 (4)	3,312	5.3%
2000	8,574 (4)	3,250	3.3%
1999	8,350 (1)	3,258	3.2%
1998	8,350 (3)	3,218	2.9%
1997	8,032 (2)	3,180	3.5%

<u>Year</u>	<u>Population</u>	<u>Median Age</u>
2000	8,574	36.3
1990	7,462	33.6
1980	7,320	30.0
1970	7,120	27.4
1960	7,045	-
1950	4,020	-

(1) Estimate not yet prepared; amount from prior year used.

(2) Estimate as of July 1996

(3) Estimate as of 1998 per Census Bureau

(4) Per 2000 Census

(5) Estimate as of July 2005

**SOURCES:**

Population - Michigan Information Center, Department of Management and Budget

School Enrollment - Tecumseh Public Schools

Unemployment Rate - Michigan Department of Career Development

**CITY OF TECUMSEH, MICHIGAN**  
**Principal Employers**  
**Current Year and Ten Years Ago (1)**

Employer	2007			1997 (1)		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Herrick Memorial Hospital	1,250	1	15.67%	260	4	3.26%
Tecumseh Public Schools	353	2	4.43%	520	2	6.52%
Lenawee Stamping Corporation	330	3	4.14%	420	3	5.27%
Tecumseh Products	300	4	3.76%	1,100	1	13.79%
Tecumseh Corrugated Box	120	5	1.50%	130	6	1.63%
United Bank and Trust	81	6	1.02%	227	5	2.85%
City of Tecumseh	79	7	0.99%	76	9	0.95%
Lenawee Precision Plastics	40	8	0.50%	-	-	-
Ervin Industries	32	9	0.40%	-	-	-
Ididit	23	10	0.29%	-	-	-
Tecumseh Foodland	-	-	-	85	7	1.07%
Bush's Value Land	-	-	-	79	8	0.99%
Spectrum Printers	-	-	-	45	10	0.56%
	<u>2,608</u>		<u>32.70%</u>	<u>2,942</u>		<u>36.89%</u>

Source: Economic Development Department, City of Tecumseh  
Lenawee County Economic Development & Growth

(1) Used 1997 data as 1998 data was not available.



## **Operating Information**

**CITY OF TECUMSEH, MICHIGAN**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Four Years (1)**

Function/Program	Full-time Equivalent Employees as of June 30			
	2004	2005	2006	2007
General Government				
City Council	7.00	7.00	7.00	7.00
City Manager	2.00	2.00	2.00	2.00
City Clerk	3.00	3.00	3.00	3.00
City Treasurer	3.00	3.00	3.00	3.00
City Assessor	1.50	1.75	1.75	1.00
Development Services	3.50	3.50	2.45	2.45
Economic Development	2.50	2.50	2.75	2.75
Public Safety				
Police	21.00	22.00	21.00	20.66
Emergency Services (Fire)	4.00	4.50	4.15	4.03
Public Works				
Department of Public Works	10.50	9.00	9.00	9.00
Cemetery	3.00	3.00	2.50	3.00
Culture & Recreation				
Parks & Recreation	4.00	4.50	4.00	3.80
Tecumseh Park (PIT)	1.00	1.00	1.00	1.00
Civic Auditorium	3.50	4.50	4.75	4.38
Public Utilities	11.50	10.00	8.25	8.00
	<u>81.00</u>	<u>81.25</u>	<u>76.60</u>	<u>75.07</u>

(1) Only four years were available. Information will be collected and added each year from this point on.

SOURCE: City of Tecumseh

**CITY OF TECUMSEH, MICHIGAN**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Public Safety</b>										
Police:										
Number of uniform crime reporting	603	647	766	377	606	812	489	416	436	368
Number of traffic violations	1,758	1,572	1,506	584	1,568	1,018	980	944	985	849
Number of arrests	519	627	647	279	244	234	237	222	249	320
Number of parking violations	52	24	63	5	34	31	27	23	27	20
Fire:										
Number of calls answered	552	552	606	580	597	622	598	598	685	690
Number of inspections conducted	2	2	2	-	4	8	15	15	10	15
<b>Public Works</b>										
Miles of local streets maintained	27	27	27	28	28	28	28	28	28	28
Miles of major streets maintained	16	16	16	16	16	16.57	16.57	16.57	16.57	16.57
<b>Culture &amp; Recreation</b>										
Parks & Recreation:										
Basketball participation	319	323	334	145	212	206	120	181	219	a
Soccer participation	1,053	1,050	1,067	1,071	949	906	914	951	985	a
Floor/inline hockey participation	-	91	166	147	113	109	87	62	57	a
Flag football participation	66	150	160	193	133	182	193	192	128	a
Baseball/softball participation	701	704	609	446	408	475	530	382	443	589
Volleyball participation	42	86	44	73	65	46	64	93	97	a
Tennis lessons	-	10	14	16	18	21	48	35	70	a
Golf lessons	31	-	40	11	11	15	7	10	18	9
Recreation center activities participation	1,596	1,517	1,767	1,748	1,678	1,746	2,102	2,550	2,611	a
Picnic shelter rentals	56	-	-	-	-	-	-	75	91	a
Glass room/main room rentals	-	-	-	-	-	-	-	139	92	a
Civic Auditorium:										
Number of shows	a	a	14	14	14	6	6	6	7	33
Average show attendance	a	a	150	150	150	400	350	300	350	340
Number of rentals	a	a	14	12	13	12	12	14	15	17
<b>Public Utilities</b>										
Miles of sanitary sewers maintained	46	48	49	49	49	49	52	53	53	53
Miles of storm sewers	18	20	20	20	20	20	20	20	20	20
Miles of water mains	49	52	53	53	53	53	56	56	56	56
Number of service connections	2,884	3,266	3,267	3,410	3,546	3,646	3,689	3,762	3,866	3,874
Number of fire hydrants	399	399	399	399	399	399	411	431	431	433

(a) Data not available

Source: City of Tecumseh

**CITY OF TECUMSEH, MICHIGAN**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Police:</b>										
Police department building	1	1	1	1	1	1	1	1	1	1
Vehicle patrol units:										
Police service automobiles	6	6	6	6	6	6	6	7	7	7
Animal control	-	-	-	-	-	-	1	1	1	1
Temporary lock up	2	2	2	2	2	2	2	2	2	2
Speed trailer	-	-	-	-	-	-	-	-	1	1
<b>Fire:</b>										
Emergency services building	1	1	1	1	1	1	1	1	1	1
Vehicle units:										
Pumper truck	2	2	2	2	2	2	2	2	2	2
Pumper ladder truck	-	-	-	-	1	1	1	1	1	1
Rescue truck	-	-	-	-	1	1	1	1	1	1
Tanker truck	1	1	1	1	1	1	1	1	1	1
Brush truck	1	1	1	1	1	1	1	1	1	1
Jaws of life	-	-	-	1	1	1	1	1	1	2
Chief's city car	1	1	1	1	1	1	1	1	1	1
Trailer	-	-	-	-	-	1	1	1	1	1
Pickup truck	1	1	1	1	1	1	1	1	1	-
<b>Public Works</b>										
Miles of city streets:										
State	16	16	16	16	16	16.57	16.57	16.57	16.57	16.57
Local	27	27	27	28	28	28	28	28	28	28
<b>Parks &amp; Recreation</b>										
Parks:										
City	13	16	16	17	17	17	18	18	19	19
Bike/skate	-	-	1	1	1	1	1	1	1	1
Park acreage:										
Active parks	137.3	137.3	137.3	137.3	137.3	137.3	137.3	137.3	137.3	137.3
Passive parks	140.4	140.4	140.4	140.4	140.4	140.4	140.4	140.4	140.4	140.4
Green spaces	37.4	37.4	37.4	37.4	37.4	37.4	37.4	37.4	37.4	37.4
Picnic areas	4	4	4	4	4	4	4	4	4	4
Historical sites	2	2	2	2	2	2	2	2	2	2
Buildings:										
Recreation center	1	1	1	1	1	1	1	1	1	1
Gazebo	1	1	1	1	1	1	1	1	1	1
Concessions	2	2	2	2	2	2	2	2	2	2
Log cabin	1	1	1	1	1	1	1	1	1	1
Pavilions	5	5	5	5	5	5	5	5	5	5
Swimming beach area	1	1	1	1	1	1	1	1	1	1
Trails:										
Nature	1	1	1	1	1	1	1	1	1	2
Multiuse	3	3	3	3	3	3	3	3	3	3
Playgrounds	4	4	4	4	4	4	4	4	4	5
Water areas:										
Splash pad	-	-	-	-	-	-	-	-	1	1
Tennis courts	5	5	5	5	5	5	5	5	5	5
In-line skating rink	1	1	1	1	1	1	1	1	1	1

Source: City of Tecumseh



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



October 4, 2007

To the City Council of the  
City of Tecumseh, Michigan

We have audited the financial statements of the **City of Tecumseh, Michigan** for the year ended June 30, 2007, and have issued our report thereon dated October 4, 2007. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated May 16, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Tecumseh, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation (retroactive to 1980) of its infrastructure capital assets acquired prior to the implementation of GASB 34 was based on street construction costs reported to the State in PA 51 filings. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the City, either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of City Council, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style. The first name "Lehmann" is written in a larger, more prominent script, and the last name "Johnson" is written in a slightly smaller, more compact script. The signature is positioned below the "Very truly yours," text.

# City of Tecumseh, Michigan

## Comments and Recommendations

For the Year Ended June 30, 2007

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In planning and performing our audit of the financial statements of the **City of Tecumseh, Michigan** as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Pursuant to Statement on Auditing Standards Number 112, which was effective for audits of years ending on or after December 15, 2006, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

### **Significant Deficiencies**

***Internal Control – Controls over Financial Reporting.*** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.



# **City of Tecumseh, Michigan**

## **Comments and Recommendations**

**For the Year Ended June 30, 2007**

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The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **Other Matters**

***Internal Control – Segregation of Duties.*** The last two years we have commented on the limited segregation of duties. Two years ago we made a broad comment on this topic and then last year we identified six specific instances where limited segregation of duties existed. We are pleased to report that City management has taken reasonable and appropriate measures to address these six instances and, on an overall basis, has continued to monitor its controls with an eye toward implementing enhancements when noted.

Nevertheless, given the City's size and its limited administrative staffing capabilities, from a cost/benefit perspective it is impractical to expect an optimum level of segregation of duties to be achieved and maintained. As such, City Council and management should remain mindful that limited segregation of duties exist, realize that they cannot be entirely eliminated without undue cost, and continue to discharge their respective responsibilities with this in mind.

Relative to this matter, two specific items to be addressed were identified during this year's audit:

- Credit memos or other account adjustments for utility billings are prepared and then reviewed and approved by an independent person. To complete the control loop, an edit report should be produced periodically from the utility billing software to verify that all credit memos recorded were actually authorized.
- The City maintains a log of the numerical sequence of payroll and accounts payable checks as a means for the final reviewer to verify that no checks were issued that were not subject to review. For the period tested, we noted that voided payroll checks were not recorded on the log. Accordingly, voided checks should be included to ensure that a complete numerical sequence of checks is appropriately tracked.

\* \* \* \* \*